AR29

BRALORNE CAN-FER RESOURCES LIMITED

Annual Report 1970

Bralorne Can-Fer Resources Limited

Incorporated under the laws of the Province of British Columbia
Capital: 7,500,000 Shares without Nominal or Par Value

Registered Office

320 Marine Building
355 Burrard Street
Vancouver 1, B.C.

Mine

Bralorne, B.C.

Operating Subsidiary Company

Bralorne Oil & Gas Limited
Calgary, Alberta

Auditors

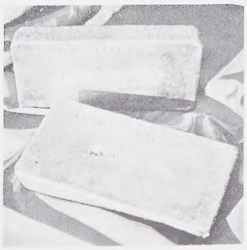
Price Waterhouse & Co.
Vancouver, B.C.

Transfer Agent and Registrar

The Royal Trust Company
Vancouver, Toronto and Montreal

Co-Transfer Agent

The First Jersey National Bank
Jersey City, New Jersey, U.S.A.



The Cover Picture . . .

"Bralorne Gold Bricks". A typical brick weighs about 1,000 ounces and is 81% gold and 14% silver. Since the commencement of operations at Bralorne in 1932 and Pioneer in 1929 these mines have produced 4,115,000 ounces of gold with a sales value of $144,000,000.

Photograph by C. B. Cunningham reprinted by courtesy of the Western Miner magazine.

Bralorne Can-Fer Resources Limited

Directors

*Douglas A. Berlis, Q.C., Toronto, Ontario
Partner, Edison, Aird & Berlis

Leonard W. Bugham, Ligonier, Pennsylvania
Consultant

H. Michael Burns, Toronto, Ontario
Director, Burns Bros. and Denton Limited

*George H. Davenport, Vancouver, British Columbia
President, Bralorne Can-Fer Resources Limited

Pemberton Hutchinson, Philadelphia, Pennsylvania
Vice-President, Penn Virginia Corporation
Assistant to the President, Westmoreland Coal Company

*John L. Kemmerer, Jr., New York, New York
President, The Kemmerer Corporation

E.B. Leisenring, Jr., Philadelphia, Pennsylvania
President, Penn Virginia Corporation
President, Westmoreland Coal Company

Clifford S. Malone, Montreal, Quebec
Chairman and President, Chemcell Limited

*Paul Porzelt, New York, New York
Chairman of the Board, Bralorne Can-Fer Resources Limited

Peter A. Revell-Smith, London, England
Chairman, Sterling & Overseas Investments Limited

Malcolm D. Richardson, Toronto, Ontario
Consultant, Reed Shaw Osler Limited

*Member, Executive Committee

Officers

Paul Porzelt, *Chairman of the Board*
George H. Davenport, *President*
Douglas A. Berlis, Q.C., *Vice-President*
James S. Thomson, *Vice-President*
Peter G. Wiseman, *Secretary*
Thomas F. Griffin, C.A., *Treasurer*

Bralorne Can-Fer Resources Limited
Report to the Shareholders:

We take pleasure in submitting herewith the annual report of the Company for the year ended December 31, 1970.

This was the first year of the merged Company and was a year of consolidation. Our gold mine continued to operate profitably and its life has been extended beyond the period expected last year. Exploration activities continued and in particular our coking coal property in Alberta seems to be developing favourably. Our subsidiary, Bralorne Oil & Gas Limited, completed its first year of operation under the new Chemcell agreement and made exceptional progress.

Financial Position

The financial position of Bralorne Can-Fer continues to be very strong. Working capital at the end of 1970 was $2,901,694, a small increase over that of the previous year. Cash and time deposits amounted to $2,328,862 compared with $2,068,178 for 1969. The reduction of approximately $250,000 in accounts receivable reflects the collection of the agreed work in progress settlement on the sale in 1968 of the former prestressed and precast concrete subsidiary. In addition, the second instalment of $175,000 was received under the debenture arising from that sale, the balance of which is now $1,400,000 bearing 7% interest. The inventory of mine supplies was reduced some $52,000 to $62,063.

The Company's investment in the subsidiary, Bralorne Oil & Gas Limited, increased $53,754 as a result of the improvement in that Company's retained earnings, and by a further $135,000 loaned to it as additional working capital.

The Company has no debt.

Earnings for the Year

Sales and other income from operations of $2,024,414 was somewhat lower than in 1969, when a profit of $137,445 was realized on disposal of investments. The decline in the gold mine income is explained below and it may be noted that this was more than offset by a reduction in the related expenses. Recoveries under the Emergency Gold Mining Assistance Act were lower due to the lesser number of ounces of gold produced. Working capital derived from operations amounted to $527,434 and was $32,068 higher than that of 1969 excluding the profit referred to above.

Mining exploration costs written off during 1970 amounted to $461,115 compared with $306,334 in 1969. The 1970 amount included $179,755 representing exploration costs on the Dolly Varden project as a result of which a substantial share interest in that Company was acquired.

In the net, the Company reported a small loss of $21,284 for 1970 which compares with a profit of about the same amount in 1969.

BRALORNE MINE

Production

The grade of ore milled at Bralorne was 6% higher than in 1969 and as a result the ounces of gold recovered declined by only 13% though the tonnage milled was down 19%. Comparative figures for the year were:

	1970	1969
Tons milled	76,545	94,396
Mill head grade	0.54	0.51
Ounces gold recovered	40,312	46,429

The factors limiting the tonnage milled are the number of individual working places from which the ore can be obtained and the capacity of the hoisting facilities which must now lift the ore about one mile to surface in two stages.

The ore on the 45 level grades 0.78 ounce gold per ton and may well continue to greater depths but to increase the hoisting capacity, ventilation, and other facilities would require a very substantial capital expenditure which could not be recovered at the present gold price.

Price of Gold

In 1934 the price of gold was fixed at 35 United States dollars per ounce and although there have been short term fluctuations on the open market the official price remains unchanged today. In order to receive assistance under the Emergency Gold Mining Assistance Act, which has now been extended until June 30, 1973, production must be sold to the Royal Canadian Mint in Ottawa and not on the open market. Maximum cost aid payable under the Act is $10.27 per ounce of gold produced. In contrast, the cost of mining and milling a ton of ore has multiplied four times since the mid 1930's despite many technological advances.

Because the gold price is fixed in United States funds, the price received by the Company is affected by the relative value of the Canadian dollar. In recent years the Canadian dollar has had a fixed value of about 92 1/2¢ in United States funds but in June 1970 the Canadian government allowed the exchange rate to "float" and the Canadian dollar is now close to par with the United States dollar. This has the effect of reducing revenue by about 7%. If this change had not been made the Company would have received an additional $50,000 from gold bullion sales in 1970.

Ore Reserves

Mineable ore reserves at year end totalled 51,000 tons of an average grade of 0.57 ounce gold per ton compared to 110,000 tons averaging 0.60 ounce gold per ton at the end of 1969. Figures include a 20% allowance for dilution. At the present rate, production should continue until the fall of 1971.

There are sub-marginal reserves totalling 529,000 tons averaging 0.23 ounce gold per ton in the Bralorne Mine and 276,000 tons averaging 0.33 ounce gold per ton in the Pioneer Mine. It is estimated that a gold price of about 100 dollars per ounce would be required to make such reserves economic. However, the feasibility of blending some of these reserves with higher grade ore to increase gold production is being studied.

Labour

Labour relations were entirely amicable during the period. A new one year contract, to October 1, 1971, was negotiated with Local 271 of the United Steelworkers of America.

A crew reduction of 15% was made during the year to conform to the reduced tonnage. The reduction was largely in the single status crew and the present employees are almost all married and constitute a very stable work force.

The stability and efficiency of the crew is reflected by their remarkable achievement in completing the year 1970 without a single lost time accident. This safety record was the best in the Province of British Columbia and perhaps in the whole of Canada and all employees and supervisors are sincerely commended.

OTHER MINING PROPERTIES

Advance royalty income from the Kowkash iron property in Ontario leased to The Algoma Steel Corporation, Limited continued at the minimum rate of $200,000. That Company has not yet announced production plans.

The Company continues to investigate the properties of a number of mining exploration companies which require experienced operating management and senior financing to achieve production.

The option to enter into a joint venture to place the property of Dolly Varden Mines Ltd. (N.P.L.) in production was not exercised, primarily due to the low world price for silver. However, the Company now owns 400,000 Dolly Varden shares, most of which were received as a result of our work program on that property.

An offer made later in the year to the Alwin Mining Company Ltd. (N.P.L.) to place that Company's copper property in the Highland Valley of British Columbia in production was not consummated due to the low copper price resulting from the world copper surplus.

In February 1971 an agreement was concluded whereby the Company was granted the option of entering into a joint venture with Nadina Explorations Limited (N.P.L.) to place that Company's lead-zinc-silver property near Houston, British Columbia, in production at a rated mill capacity of 500 tons per day. The agreement is subject to approval by the shareholders of Nadina and the appropriate regulatory bodies, and the negotiation of satisfactory contracts for the sale of concentrates.

EXPLORATION

The third year of operation of the Can-Fer Exploration Syndicate, in which Pacific Petroleums Ltd. and Bralorne Oil & Gas Limited participate, concluded on January 31, 1971. The Syndicate terminated on that date except with respect to certain properties on which further work is warranted. During the three year period the Syndicate undertook some forty projects in Canada and interests are retained in ten properties. The most interesting of these are the coal deposits at Savanna Creek, Alberta, copper occurrences at Gataga River in northeastern British Columbia and uranium deposits in the Foster River area of northern Saskatchewan.

Coal

The Syndicate continues to hold an exploration permit of 35 square miles consisting of a southern group of five square miles and a northern group of 30 square miles. The groups are three miles apart.

The 1970 program was in three phases: firstly, geological surveying, prospecting and trenching to correlate and determine the continuity of coal seams; secondly, rotary drilling of ten holes totalling 2,935 feet on the northern group; and thirdly, a tunnel driven in the northern part of the southern group to provide a bulk sample for testing, particularly of the washability and coking characteristics. Canadian Industrial Gas & Oil Limited, which holds the ground between the two groups, participated in the cost of the tunnel.

Testing of the bulk samples is now in progress and results to date are favourable. Preliminary estimates indicate a reserve of 25.8 million tons of strippable coal with considerably larger reserves underground. The further development of this property is being studied.

Copper

126 claims are held in the Gataga River area in northeastern British Columbia adjacent to ground held by Windermere Exploration Ltd. (N.P.L.) about 40 miles south east of the Churchill Copper Corporation Ltd. mine. During the year, work comprised prospecting, trenching, silt sampling and geological studies.

In the number one zone, five trenches were cut along a length of 350 feet and assays gave an average of 8.4% copper over an average width of 5.5 feet. This zone is open at both ends. In the number two zone, four trenches were cut along a length of 320 feet and the samples assayed 4.6% copper over an average width of 5.0 feet. Float was found on the extension of strike of this zone for 1,000 feet. In the third zone, two trenches were cut over a length of 150 feet; assays gave 6.2% copper over an average 5.0 foot width. This zone is open on extension of length and width.

Development of this fine prospect will continue in 1971.

Uranium

The 1970 program in northern Saskatchewan consisted of prospecting, geological mapping, magnetometer and scintillometer surveys, and diamond drilling. This work will keep the two claim blocks, totalling some 3,600 acres, in good standing for several years. Some encouraging results were obtained but further work is being deferred pending an improvement in the uranium market.

United States Properties

During 1970 the Company, through a wholly owned United States subsidiary, Summit King Mines Limited, participated with The Kemmerer Coal Company in the exploration of a mercury property in California and a coal property in Montana. No further work is planned on the former but additional work may be done on the coal property during 1971.

Future Exploration

The Company will continue its activities in the mining exploration field both on its own account and in partnership with others.

BRALORNE OIL & GAS LIMITED

At the end of the year the Company held 2,041,295 shares of Bralorne Oil & Gas Limited, or 63% of the shares issued at that date.

Financial

The year 1970 marked a significant point of development in the history of Bralorne Oil & Gas as, for the first time, revenue from oil and gas sales and other income exceeded $1,000,000.

Gross revenue, including management fees, increased to $1,057,444 from $683,458 in 1969. Cash flow from operations, being income before the deduction of depreciation, depletion and mining exploration costs, more than doubled from $194,516 to $406,328. These increases were due to the acquisition of producing properties and a successful exploration program.

After provisions for depreciation and depletion totalling $236,363 and the write-off of mining exploration costs of $43,448, the net income for the year was $126,517, compared to a loss of $57,041 in 1969.

The accounts of this subsidiary have not been consolidated with those of your Company but are shown separately in this report.

Production

Production of crude oil averaged 747 barrels a day, an increase of 188 barrels a day or 33% over the 1969 rate. Natural gas production averaged 3.4 million cubic feet per day, an increase of 1.1 million cubic feet a day or 48% over the 1969 rate.

The increases are due to acquisitions and discoveries of new reserves. Comparable increases are expected for 1971 because of anticipated higher allowables and the addition of new reserves.

Reserves

Based on a study by an independent consultant, the net proven and probable reserves at year end amounted to 4,918,000 barrels of oil and 40 billion cubic feet of gas, compared to 4,137,000 barrels of oil and 27 billion cubic feet of gas at December 31, 1969.

Exploration

During 1970 Bralorne Oil & Gas entered into the most extensive exploration program of its history, involving projects in the three Prairie Provinces, British Columbia and the Northwest Territories. In addition, it made its first moves into international exploration by acquiring geologically attractive land in England and non-exclusive exploration rights located offshore to the west of the Republic of Ireland. The exploration program consisted of subsurface geological studies and specific geophysical studies. As a result of these studies Bralorne Oil & Gas participated in a total of 58 exploratory wells, of which 12 were completed as oil wells and 9 as gas wells.

Certain favourable land acquisitions were made throughout the exploration area based on the results obtained from the geological and geophysical studies.

Industry Outlook

The oil and gas industry in western Canada is now entering a dynamic stage in its development and growth. The demand for Canadian crude is steadily growing and, as a result, the industry has been able to realize a higher price for its product. The effect will be an increase in the amount of risk capital available for exploration and development.

It is felt the major reasons behind this anticipated up-swing in activity and investment are the unstable situations existing in the major oil producing areas of the world outside of North America, the general increase in world demand for petroleum products together with the significant shortage of natural gas in the United States.

We are confident therefore that over the next few years the Canadian oil and gas industry will grow and prosper. Bralorne Oil & Gas will make every effort to participate in this anticipated growth and prosperity.

ACKNOWLEDGMENT

We wish to express our appreciation to all employees for their excellent performance and cooperation during 1970.

On behalf of the Board,

Paul Porzelt
Chairman

G.H. Davenport
President

March 11, 1971

Bralorne Can-Fer Resources Limited

Balance Sheet as at December 31, 1970

Assets

	1970	1969
CURRENT ASSETS:		
Cash and time deposits	$2,328,862	$2,068,178
Bullion, at net realizable value	135,919	146,910
Marketable securities, at cost less amounts written off (market value $4,296, 1969 — $4,550)	5,318	6,104
Receivable under The Emergency Gold Mining Assistance Act	181,536	208,470
Accounts and notes receivable	339,193	581,014
Inventories of stores and supplies, at cost less allowance for obsolescence, not in excess of replacement cost	62,063	114,204
Refundable deposits and prepaid items	14,841	20,887
Special refundable tax	—	13,044
	3,067,732	3,158,811
INVESTMENT IN BRALORNE OIL & GAS LIMITED, including a loan of $135,000 in 1970 (Note 1)	2,086,591	1,897,837
OTHER ASSETS:		
Long term receivable (Note 2)	1,225,000	1,400,000
Royalty contract with The Algoma Steel Corporation, Limited, at nominal value (Note 3)	1	1
Life insurance policy, at cash surrender value	60,612	58,270
Sundry investments	89,377	7,964
Deferred exploration expenditures (Note 4)	323,793	360,968
Deferred income taxes (Note 5)	61,000	16,000
	1,759,783	1,843,203
CAPITAL ASSETS (Note 4):		
Mining properties, development and exploration, at cost less accumulated depletion of $4,372,579 (1969 — $4,277,238)	265,533	360,874
Buildings, plant and equipment, at cost less accumulated depreciation of $3,788,035 (1969 — $3,688,231)	381,652	434,295
	647,185	795,169
	$7,561,291	$7,695,020

Liabilities

	1970	1969
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 135,892	$ 244,562
Wages payable.	30,146	33,921
	166,038	278,483
SHAREHOLDERS' EQUITY:		
Share capital (Note 6) —		
Authorized: 7,500,000 shares of no par value		
Issued: 4,851,710 shares.	5,930,428	5,930,428
Retained earnings	1,464,825	1,486,109
	7,395,253	7,416,537
	$7,561,291	$7,695,020

SIGNED ON BEHALF OF THE BOARD:

Paul Porzelt, Director

George H. Davenport, Director

Auditors' Report

To the Shareholders of Bralorne Can-Fer Resources Limited:

We have examined the balance sheet of Bralorne Can-Fer Resources Limited as at December 31, 1970 and the statements of earnings and retained earnings and source and disposition of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and disposition of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 25, 1971

PRICE WATERHOUSE & CO.
Chartered Accountants.

Bralorne Can-Fer Resources Limited

Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1970

	1970	1969
Sales and other income from operations:		
Gold bullion	$1,475,919	$1,755,255
Royalty income (Note 3)	200,000	200,000
Investment and other income (net)	348,495	296,662
Profit on disposal of investments	—	137,445
	2,024,414	2,389,362
Expenses other than depletion, depreciation and exploration costs:		
Gold mining	1,650,627	1,947,319
Recoverable expenses under The Emergency Gold Mining Assistance Act	(414,318)	(476,824)
Administrative and general, less management charges to other companies	260,671	286,056
	1,496,980	1,756,551
Working capital from operations	527,434	632,811
Provisions for (Note 4):		
Depletion	95,341	135,364
Depreciation	91,016	84,353
Mining exploration costs (Note 4)	461,115	306,334
(Increase) in share of retained earnings of Bralorne Oil & Gas Limited — decrease in 1969 (Note 1)	(53,754)	42,729
Deferred income taxes	(45,000)	40,000
	548,718	608,780
Earnings (loss) for the year	(21,284)	24,031
Retained earnings, beginning of year	1,486,109	1,462,078
Retained earnings, end of year	$1,464,825	$1,486,109
Earnings (loss) per share	($.01)	$.01

Bralorne Can-Fer Resources Limited

Statement of Source and Disposition of Working Capital

For the Year Ended December 31, 1970

	1970	1969
Source of working capital:		
Working capital from operations	$ 527,434	$ 632,811
Instalment on long term receivable	175,000	175,000
Reduction in investment in shares of Bralorne Oil & Gas Limited	—	156,000
	702,434	963,811
Disposition of working capital:		
Expenditures (recoveries) on capital assets (net)	38,373	(65,515)
Exploration expenditures	423,940	430,140
Loan to Bralorne Oil & Gas Limited	135,000	—
Sundry investments	81,413	7,964
Other	2,342	2,358
	681,068	374,947
Increase in working capital	21,366	588,864
Working capital, beginning of year	2,880,328	2,291,464
Working capital, end of year	$2,901,694	$2,880,328

Bralorne Can-Fer Resources Limited

Notes to Financial Statements

December 31, 1970

1. INVESTMENT IN BRALORNE OIL & GAS LIMITED:

The company holds a 62.8% interest in Bralorne Oil & Gas Limited which in 1969 concluded an exploration agreement with a subsidiary of Chemcell Limited. This agreement includes provisions whereby that company can acquire by share subscription a majority interest in Bralorne Oil & Gas Limited over a period not exceeding five years. To December 31, 1970 625,000 shares representing a 19.2% interest in Bralorne Oil & Gas Limited had been issued under this agreement. In the circumstances, the company does not consolidate Bralorne Oil & Gas Limited, but carries its investment in this subsidiary at cost plus the company's equity in its undistributed earnings since acquisition.

2. LONG TERM RECEIVABLE:

Under a 1968 agreement for the sale of the company's interest in Pacific Prestress Ltd., a ten year 7% instalment debenture of that company was received on account of previous advances. The remaining instalments of $175,000 per annum are due in November each year to 1978, the non-current portion being shown separately in the accompanying balance sheet.

3. ROYALTY CONTRACT WITH THE ALGOMA STEEL CORPORATION, LIMITED:

Certain mining properties carried at a cost of $203,255 have been leased to The Algoma Steel Corporation, Limited for a period of ninety-nine years from August 1, 1965, with options to renew. Among other terms, the agreement provides for the following:—

(a) An advance annual royalty of $200,000 for a maximum period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement by the lessor of incurring expenditures to bring the properties into commercial production, no royalty shall be payable for the lesser of (1) four years or (2) the period to the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as calculated in (b) below.

(b) Commencing with the first commercial shipment of iron ore pellets from open cut mining operations, the company shall receive royalties of 40¢, 50¢ and 60¢ per gross ton shipped during each of the first, second and third years respectively, and 65¢ per ton thereafter.

    On iron ore pellets produced and shipped from ore mined by underground mining operations the royalty is 30¢ per gross ton of such pellets.

    The annual royalty on iron ore pellets shall not be less than $350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

The advance annual royalty has been recorded as income but provision for depletion of these mining properties has not been made since no ore has yet been produced from them.

4. EXPLORATION EXPENDITURES, DEPLETION AND DEPRECIATION:

Exploration expenditures on mining properties continuing under examination are deferred and will be amortized against production revenue from the relevant properties or are written off upon cessation of work thereon. Depletion of the company's producing mining properties is provided for on a unit of production basis, having regard to the proven ore reserves. Depreciation is provided for on a straight-line basis at rates determined from estimated ore reserves and estimated salvage values of buildings, plant and equipment.

5. DEFERRED INCOME TAXES:

The company follows the tax allocation basis of accounting for income taxes as recommended

by The Canadian Institute of Chartered Accountants. Accordingly, income tax adjustments resulting from claiming capital cost allowances and mining exploration expenditures for tax purposes in amounts different from related depreciation and exploration expenditures charged against income have been accounted for in the financial statements. Tax allocation accounting is not appropriate for losses aggregating $395,000 carried forward for income tax purposes. Of this amount $185,000 is available for application until 1974 and $210,000 until 1975.

6. INCENTIVE STOCK OPTION PLAN:

During 1970 200,000 shares of the company were reserved for incentive stock options which may be granted from time to time to officers and key employees. Options to purchase 135,000 shares in the capital of the company at $2.88 per share, and exercisable cumulatively as to one-fifth of the shares under option each year during the five-year term of the options, have been granted. At December 31, 1970, no options had been exercised.

7. DIRECTORS' REMUNERATION:

The aggregate direct remuneration for the year ended December 31, 1970 paid to the company's directors, including salaries of those holding positions as officers of the company, amounted to $54,950 of which $2,600 was paid by a subsidiary company not consolidated.

The following pages comprise the financial section of the Bralorne Oil & Gas Limited 1970 Annual Report to Shareholders.

Bralorne Oil & Gas Limited and subsidiary companies

Consolidated Balance Sheet — December 31, 1970

Assets

	1970	1969
CURRENT ASSETS:		
Cash	$ 253,140	$ 315,251
Accounts receivable	468,419	106,626
Inventories of stores and supplies, at the lower of cost or estimated realizable value	16,757	21,674
Refundable deposits and prepaid items	43,337	31,368
	781,653	474,919
OTHER ASSETS:		
Loan to an officer of the company (Note 2)	76,000	80,000
Interest in mining syndicate, at cost (Note 3)	55,390	36,669
	131,390	116,669
CAPITAL ASSETS, at cost (Note 3):		
Petroleum and natural gas interests, less accumulated depletion of $1,308,351 ($1,108,533 in 1969)	4,142,573	3,189,544
Production and other equipment, less accumulated depreciation of $331,571 ($294,356 in 1969)	563,682	405,499
	4,706,255	3,595,043
STOCK ISSUE COSTS	—	25,810
	$5,619,298	$4,212,441

Liabilities

	1970	1969
CURRENT LIABILITIES:		
Bank loan	$ —	$ 150,000
Accounts payable	434,069	418,061
Current portion of term bank loan	245,000	140,400
	679,069	708,461
TERM BANK LOAN, secured by an assignment of production	936,200	680,758
Less — Estimated repayments within one year included in current liabilities	245,000	140,400
	691,200	540,358
NOTE PAYABLE TO BRALORNE CAN-FER RESOURCES LIMITED, due after January 3, 1972	135,000	—
SHAREHOLDERS' EQUITY:		
Share capital (Note 4) —		
Authorized — 10,000,000 shares without nominal or par value issuable for an aggregate consideration not to exceed $10,000,000		
Issued — 3,250,000 shares of which 525,000 shares were issued in 1970	3,942,551	2,892,551
Retained earnings	171,478	71,071
	4,114,029	2,963,622
	$5,619,298	$4,212,441

APPROVED ON BEHALF OF THE BOARD:

Paul Porzelt, Director

Harry Dernick, Director

Auditors' Report

To the Shareholders of Bralorne Oil & Gas Limited:

We have examined the consolidated balance sheet of Bralorne Oil & Gas Limited and its subsidiary companies as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 16, 1971

PRICE WATERHOUSE & CO.
Chartered Accountants.

Bralorne Oil & Gas Limited and subsidiary companies

Consolidated Statement of Income and Retained Earnings

For the Year Ended December 31, 1970

	1970	1969
Revenue:		
Oil and gas sales	$ 818,903	$ 617,795
Management fees	225,463	33,928
Interest income	13,078	31,735
	1,057,444	683,458
Expenses:		
Production expenses	231,656	188,615
Administrative and general expenses	326,373	262,675
Interest expense —		
Long term debt	84,495	32,841
Other	8,592	4,811
	651,116	488,942
Cash flow from operations	406,328	194,516
Provisions for (Note 3):		
Depletion	198,601	196,482
Depreciation	37,762	29,836
Mining exploration costs (Note 3)	43,448	25,239
	279,811	251,557
Net income (loss) for the year (Note 5)	126,517	(57,041)
Retained earnings, beginning of year	71,071	128,112
	197,588	71,071
Stock issue costs written off	26,110	—
Retained earnings, end of year	$ 171,478	$ 71,071
Earnings (loss) per share	4¢	(2¢)

Bralorne Oil & Gas Limited and subsidiary companies

Consolidated Statement of Source and Application of Working Capital

For the Year Ended December 31, 1970

	1970	1969
Source of working capital:		
Cash flow from operations	$ 406,328	$ 194,516
Reduction of deferred income	—	(19,468)
Increase in term bank loan	150,842	—
Loan from Bralorne Can-Fer Resources Limited	135,000	—
Issue of 525,000 shares (225,000 shares in 1969)	1,050,000	330,000
Proceeds on sale of capital assets	55,022	284,450
Other	4,495	1,944
	1,801,687	791,442
Application of working capital:		
Acquisition of developed petroleum and natural gas interests	505,991	1,530,504
Less — Production bank loan assumed	—	(718,957)
Oil and gas exploration and development	701,456	232,939
Purchase of production equipment	195,945	112,129
Mining syndicate exploration costs	62,169	53,249
Loan to an officer of the company	—	80,000
Reduction of term bank loan	—	178,599
	1,465,561	1,468,463
Increase (decrease) in working capital	336,126	(677,021)
Working capital, beginning of year	(233,542)	443,479
Working capital, end of year	$ 102,584	$ (233,542)

Bralorne Oil & Gas Limited and subsidiary companies

Notes to Financial Statements

December 31, 1970

1. BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company's four subsidiaries, Bralorne Petroleums Ltd., Carleton Oil and Gas Development Co. Ltd., Junior Oils Ltd. and Bralorne Explorations (Canada) Ltd., all of which are wholly owned. Junior Oils Ltd. was acquired as of February 1, 1970 and its results of operations have been consolidated from that date. Bralorne Explorations (Canada) Ltd. was incorporated in the United Kingdom on October 7, 1970.

The excess of the cost of shares of the subsidiaries over the book value of their net assets at dates of acquisition has been applied to petroleum and natural gas interests and depletion is provided thereon.

2. LOAN TO AN OFFICER OF THE COMPANY:

The loan was made to an officer director in 1969 for his purchase of 100,000 shares of the Company. It is secured only by the related share certificates without other recourse to the debtor. The certificates are to be released to the debtor pro-rata to the loan repayments in annual instalments.

3. ACCOUNTING PRACTICES:

The companies follow the full cost method of accounting whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized, whether productive or unproductive, and proceeds on disposal of properties are ordinarily deducted from costs without recognition of profit or loss. Depletion of oil and gas properties is computed on the total of all such costs by the unit of production method based on overall estimates of proven reserves of oil and gas. Depreciation of production equipment is also computed by the unit of production method based on overall reserves.

The Company defers mining syndicate exploration costs where properties continue under examination, which costs are to be amortized against production from such properties or written off upon cessation of work thereon.

4. SHARE CAPITAL:

On October 31, 1969 the Company concluded an exploration agreement with Chemcell Resources Limited whereby that company may invest up to $10,400,000 to the end of 1974 in oil and gas properties with Bralorne acting as manager of the funds and earning fees and working interests as well as participating in the program on its own behalf.

Chemcell Resources has an option to purchase shares of the Company's capital at $2 per share and to date has purchased 625,000 shares (500,000 shares in 1970). The option is exercisable at the minimum rate of 125,000 shares per quarter provided that, on a cumulative basis, its investment in the exploration program has equalled twice the aggregate issue price of the shares which will then have been issued under the agreement. When its exploration expenditures under the program equal $10,400,000 Chemcell Resources may purchase sufficient additional shares which would provide it with an aggregate holding of 50 percent plus 1 share of the issued, outstanding and reserved capital of the Company. The agreement also imposes certain restrictions on Bralorne and its subsidiaries, which may be waived. The Company has reserved sufficient of its authorized share capital to satisfy the exercise of this option in full.

In 1970 the Company issued 25,000 shares at a price of $2 per share as part consideration for acquisition of Junior Oils Ltd.

100,000 shares of the Company have been reserved for incentive options which may be granted from time to time to officers and employees. During the year options on 20,000

shares were granted, there now being an aggregate of 70,000 shares under option at prices ranging from $1.00 to $1.60 per share. The options are for a term of five years and become exercisable cumulatively as to one-fifth of the shares under option each year. At December 31, 1970 no options have been exercised.

In 1970 the authorized capital of the Company was increased from 5,000,000 shares to 10,000,000 shares issuable for a consideration not to exceed $10,000,000.

5. INCOME TAXES:

For income tax purposes the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which may exceed the related depletion and depreciation provisions reflected in their accounts; for 1969 and 1970 the companies have not claimed capital cost allowances in excess of recorded depreciation but have claimed other deductions in amounts sufficient to offset taxable income. At December 31, 1970 unclaimed drilling, exploration and lease acquisition costs of $1,540,000 and undepreciated capital costs of $375,000 remain to be carried forward and applied against future taxable income.

The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes. However, with respect to drilling, exploration and lease acquisition costs, the recommendation is questioned by the petroleum industry and this treatment has therefore not been applied to such differences in the timing of deductions for tax and accounting purposes. This view conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income or loss the income statement would have reflected a charge for deferred income taxes in 1970 of $49,000 and $22,000 in 1969.

The accumulated income tax reductions to December 31, 1970 approximate $892,000 after including the accumulated tax reductions of subsidiaries at dates of acquisition amounting to $769,000 and $35,000 of deferred tax debits previously omitted because of uncertainty regarding their recovery.

6. STATUTORY INFORMATION:

The aggregate direct remuneration paid by the Company and its subsidiaries to all directors and senior officers of the Company was $114,900 for the year ended December 31, 1970.

Bralorne Can-Fer Resources Limited

Annual Report 1970.

PRINTED IN CANADA

AR29

60

CAN-FER MINES LIMITED

Suite 1407
100 Adelaide Street West,
Toronto 105, Ontario.

June 2, 1969.

TO THE SHAREHOLDERS:

We are pleased to report that the Boards of Directors of your Company and Bralorne Pioneer Mines Limited ("Bralorne") have approved a proposal, subject to authorization by shareholders of both companies, to combine their businesses by transferring substantially all of your Company's assets to Bralorne in exchange for shares of stock of Bralorne. After the transfer, the Agreement provides for Can-Fer to distribute its remaining assets (which will consist mainly of Bralorne shares) to its shareholders on the basis of one share of Bralorne for each outstanding share of Can-Fer and surrender its Letters Patent.

Bralorne is a British Columbia company which owns a gold mine and, directly or through partially owned subsidiaries and syndicates, engages in the business of exploring for and producing for sale minerals, oil and natural gas.

The purpose of the transaction is to provide advantages to Can-Fer's shareholders who will thus become part of a larger company with greater financial and management resources and with economies resulting from the combination of overlapping functions, particularly since both companies are presently jointly participating in two exploration syndicate agreements. The larger company will have a better competitive position in the acquisition and development of worthwhile mining properties and opportunities.

As set forth above, under the agreement, shareholders of Can-Fer will receive one common share of Bralorne for each common share of Can-Fer. The transaction will be subject to receipt of a ruling from the Commissioner of Internal Revenue of the United States that so far as persons subject to United States taxes are concerned, the exchange of shares will not result in income to them which will be subject to United States income taxes and will not result in any United States Interest Equalization Tax being payable by them.

The Annual and a General Meeting of the shareholders of Can-Fer will be held in Toronto, Ontario on June 25, 1969 at 11:00 A.M. to consider and vote upon the proposed sale of assets of Can-Fer and the rateable distribution of its remaining assets and the surrender of its Letters Patent.

The attached proxy statement and information circular describes the proposed transaction in detail and presents additional information with respect to Can-Fer and Bralorne. You should read the proxy statement and information circular with care. Your Board of Directors has approved the proposed transaction and recommends its approval by you.

APPROVAL OF THE PROPOSED TRANSFER OF ASSETS REQUIRES THE AFFIRMATIVE VOTE BY AT LEAST 66⅔% OF THE VOTES CAST AT THE ANNUAL AND GENERAL MEETING OF SHAREHOLDERS. YOUR DIRECTORS URGE THAT YOU COMPLETE THE ENCLOSED PROXY IN FAVOUR OF THE PROPOSED TRANSACTION AND MAIL SAME IN THE ADDRESSED RETURN ENVELOPE PROVIDED.

Sincerely yours,

PAUL PORZELT,
Chairman of the Board.

CAN-FER MINES LIMITED

NOTICE OF THE ANNUAL AND A GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 25, 1969

NOTICE IS HEREBY GIVEN that the Annual and a General Meeting of the Shareholders of Can-Fer Mines Limited (the "Company") will be held in the Library of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Wednesday, the 25th day of June, 1969, at the hour of 11:00 o'clock in the forenoon (Toronto Time) for the following purposes:

(1) to receive the Annual Report of the Company for the year ended December 31, 1968;

(2) to elect Directors;

(3) to appoint Auditors and to authorize the Directors to fix their remuneration;

(4) to consider, and if thought advisable, to confirm, with or without variation, so that the same may become a Special Resolution of the Company, a resolution of the Board of Directors passed on the 30th day of April, 1969, approving an agreement for the sale of substantially all the Company's assets to Bralorne Pioneer Mines Limited;

(5) to consider, and if thought advisable, to pass a resolution authorizing the distribution of the assets of the Company rateably among its shareholders upon consummation of the agreement of purchase and sale between the Company and Bralorne Pioneer Mines Limited and to authorize an application to surrender the Company's Charter; and

(6) to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Shareholders are entitled to vote at the meeting either in person or by proxy in accordance with the provisions of The Corporations Act (Ontario). Shareholders unable to be present at the meeting are requested to complete, sign and return the enclosed form of proxy in the envelope provided for that purpose. All instruments appointing proxies to be used at the meeting must be deposited with The Sterling Trusts Corporation, 372 Bay Street, Toronto 105, Ontario, prior to 5:00 p.m. (Toronto Time) on Tuesday, June 24, 1969. Instruments appointing proxies not so deposited will not be voted at the meeting.

A copy of the Annual Report for the year ended December 31, 1968 is enclosed herewith.

By Order of the Board of Directors,

D. A. BERLIS, Q.C.,
Secretary-Treasurer.

Toronto, Canada,
June 2, 1969.

TABLE OF CONTENTS OF PROXY STATEMENT AND INFORMATION CIRCULAR

CAN-FER MINES LIMITED

PROXY STATEMENT AND INFORMATION CIRCULAR

ALL DOLLAR AMOUNTS IN THIS PROXY STATEMENT AND INFORMATION CIRCULAR REFER TO CANADIAN DOLLARS

PURPOSE OF SOLICITATION

This proxy statement and information circular is furnished in connection with the solicitation of proxies by the Management of Can-Fer Mines Limited (the "Company") for use at the Annual and General Meeting of Shareholders to be held on Wednesday, June 25, 1969, or at any adjournment or adjournments thereof, for the purposes set out in the Notice of Meeting.

OUTSTANDING VOTING SECURITIES AND VOTING RIGHTS

As at May 29, 1969 there were outstanding 3,484,260 shares without par value. Every shareholder of the Company entitled to vote at an election of directors has the right to cast thereat a number of votes equal to the number of shares held by him multiplied by the number of directors to be elected, and he may cast all such votes in favour of one candidate or distribute them amongst the candidates in such manner as he sees fit. Where he has voted for more than one candidate without specifying the distribution of his votes among such candidates, he shall be deemed to have divided his votes equally among the candidates for whom he voted. The vote of at least ⅔ of the votes cast at the Meeting is necessary for the adoption of the special resolution relating to the sale of the Company's assets to Bralorne Pioneer Mines Limited ("Bralorne") and the vote of the majority of the shares voting at the Meeting will be sufficient for all other votes to be taken thereat.

All shareholders of record on June 25, 1969, the date of the Annual and General Meeting of Shareholders, are entitled to vote, but those shareholders desiring to be represented thereat by proxy must deposit their executed forms of proxy with The Sterling Trusts Corporation, 372 Bay Street, Toronto 105, Ontario, prior to 5:00 p.m. (Toronto Time) on June 24, 1969. A return envelope for this purpose is enclosed. If the enclosed proxy is executed, it will be voted in accordance with the instructions contained therein but such proxy may be revoked by the signing shareholder at any time insofar as it has not been exercised.

ELECTION OF DIRECTORS

The Board consists of nine directors, each of whom is elected annually to serve until the next Annual Meeting of Shareholders or, subject to the Company's by-laws, until his successor is elected or appointed; however, should the Company's charter be surrendered, as hereinafter proposed, the Directors' terms will automatically cease on the happening thereof. It is intended that the following persons, all of whom are presently directors of the Company, will be nominated at the meeting. PROXIES IN THE ACCOMPANYING FORM WILL BE VOTED IN FAVOUR OF THE ELECTION OF THE NINE NOMINEES OF MANAGEMENT LISTED BELOW OR, IN THE EVENT OF ANY VACANCIES AMONG THE NOMINEES — AN EVENT THE MANAGEMENT OF THE COMPANY HAS NO REASON TO BELIEVE WILL OCCUR — IN FAVOUR OF THE REMAINING NOMINEES AND FOR SUBSTITUTE NOMINEES OF MANAGEMENT.

Nominee for Director	Present principal occupation	Date first became a director (1)	No. of common shares beneficially owned, directly or indirectly as of April 16, 1969
Douglas A. Berlis, Q.C.	Partner, Edison, Aird & Berlis, Barristers and Solicitors	February 16, 1967	1,100
Leonard W. Bughman	President of Bughman Sales Company, Manufacturers Representative in Coke and Tetraethyl Lead Sales and Consultant to Gulf Oil Corporation and Debevoise Anderson Co.	June 13, 1963	40,000
C. A. Burns	President of the Company, President of C. A. Burns Consulting Ltd., Consulting Geologists	May 11, 1965	60,000 (2)
H. Michael Burns	Executive Vice-President of Burns Bros. & Denton Inc., Investment Dealers	April 20, 1967	6,001 (3)
Pemberton Hutchinson	Vice-President of Penn Virginia Corporation, Coal Land Lessors	April 20, 1967	101
John L. Kemmerer, Jr.	President of Whitney & Kemmerer Inc., Coal & Coke Sales Agents	June 22, 1959	271,475 (4)
Edward B. Leisenring, Jr.	President of Penn Virginia Corporation, Coal Land Lessors	November 15, 1966	501 (5)
Paul Porzelt	Chairman of the Board of the Company, Limited Partner, Emanuel, Deetjen & Co., Members New York Stock Exchange	August 28, 1957	250,211 (6)
Malcolm D. Richardson	President of Richardson, de Pencier Limited, Insurance Brokers	June 13, 1963	5,000

NOTES:

(1) Each proposed nominee who is stated to have first become a director on a specified date has served continuously as a director from the date indicated.

(2) Includes 1,000 shares beneficially owned by Mr. C. A. Burns' wife.

(3) Includes 5,000 shares owned by Kingfield Investments Limited, of which Mr. H. Michael Burns owns one-third of the outstanding capital stock.

(4) Includes 17,500 shares beneficially owned by Mr. Kemmerer's wife and 237,000 shares beneficially owned in equal amounts by his three children or trusts for their benefit; does not include 200,000 shares beneficially owned by Old Dominion Development Company, a corporation of which Mr. Kemmerer is an officer, director and stockholder. The aggregate amount owned by Mr. Kemmerer and his "associates" (as defined in the regulations of the Securities and Exchange Commission) is 471,475 shares or approximately 13.53% of the outstanding capital stock of the Company.

(5) Mr. Leisenring is the President and a director of Penn Virginia Corporation, the beneficial owner of 600,000 shares of the Company. The aggregate amount beneficially owned by Mr. Leisenring and his "associates" (as defined in the regulations of the Securities and Exchange Commission) is 600,501 shares or approximately 17.23% of the outstanding capital stock of the Company.

(6) Includes 7,500 shares beneficially owned by Mr. Porzelt's wife.

To the knowledge of the Management of the Company, no person or corporation except Penn Virginia Corporation, 2500 Fidelity Building, Philadelphia, Pennsylvania, and John L. Kemmerer, Jr., Suite 2525, 120 Broadway, New York, New York owns of record or beneficially, directly or indirectly, more than 10% of the outstanding shares of the Company.

REMUNERATION OF MANAGEMENT AND CERTAIN TRANSACTIONS

During the fiscal year ended December 31, 1968 no director or officer of the Company received direct remuneration for services of $30,000 or more. The aggregate direct remuneration paid or payable by the Company to its directors and "senior officers" (as such term is defined in The Securities Act, 1966 (Ontario)) as a group (14 persons, including 5 persons who were "senior officers" as so defined but who were not officers or directors of the Company) was $46,069.

An employment agreement dated May 1, 1968 (as amended on July 3, 1968) was entered into between the Company and Mr. C. A. Burns, its President. The agreement, as so amended, replaced a prior 3 year agreement which was to have expired on May 11, 1968. The current agreement provides for Mr. Burns' services as General Manager — Exploration and Development of the Company and for the services of Mr. Burns as a consultant in the performance of exploration activities for the Company. The agreement provides that the Company shall hold in trust for Mr. Burns an undivided, non-assessable 5% interest (i) in any mining property which the Company acquires or in which the Company acquires an interest as manager of a syndicate during the term of the agreement and (ii) in any mining property which the Company acquires or in which the Company acquires an interest as manager of a syndicate during the five years following the termination of the agreement and which Mr. Burns shall have, prior to such termination, recorded for acquisition or investigation with a view to acquisition. The agreement provides for payment to Mr. Burns of an honorarium of $500 per month in addition to consulting fees at the established minimum rates for senior consultants who are members of the Professional Engineers of Ontario when doing exploration work, and at a higher rate by agreement between the parties when doing feasibility studies. The agreement also provides for the upward revision of fees by negotiation between the parties in the event of a marked change in the Company's affairs involving more work and responsibility than was then contemplated. During 1968, the sum of $16,970.50 was paid under this agreement and the prior agreement to Mr. Burns and his firm, C. A. Burns Consulting Limited, of which he is a director and controlling shareholder. In addition, fees paid to said C. A. Burns Consulting Limited by syndicates, of which the Company is a participant, amounted to $14,178.24, of which the Company's proportion amounted to $5,316.86.

By his earlier employment agreement of May 11, 1965, Mr. Burns had been granted an option to purchase 50,000 shares of the Company at $1.25 per share. On that date the bid prices in the over-the-counter market in Toronto as quoted by Tom & Barnt, 80 Richmond Street West, Toronto, Ontario, Broker-Dealers, were $1.50 high and $1.30 low. This option was in effect and unexercised at the time of the execution of Mr. Burns' new employment agreement of May 1, 1968. As part of that agreement and in consideration thereof, Mr. Burns was granted a replacement option to purchase, during the term thereof, a like number of shares at the same price, namely 50,000 shares at $1.25 per share. On May 1, 1968 the shares of the Company traded on the Toronto Stock Exchange from a low of $1.18 to a high of $1.33. Mr. Burns has since exercised the option in full as follows:

Exercise date	No. of shares purchased	Purchase price	Price range on Toronto Stock Exchange			
			Date of exercise		30 day period preceding exercise date	
June 10, 1968	30,000	$1.25	High	$1.49	High	$1.49
			Low	$1.45	Low	$1.15
December 27, 1968	14,000	$1.25	High	$3.40	High	$3.55
			Low	$3.20	Low	$2.60
March 7, 1969	6,000	$1.25	High	$3.20	High	$4.05
			Low	$2.90	Low	$2.90

No other person or company was granted or exercised any options since January 1, 1968 and none are outstanding.

The agreement initially was for the period from May 1, 1968 to December 31, 1968. The July 3, 1968 amendment provides for its automatic renewal on January 1 of each year unless either party on or before the previous September 30 gives at least three month's notice of termination; and for termination in any event on December 31, 1972. It is intended that Mr. Burns' employment contract will be assumed by Bralorne upon the closing of the sale of the assets of the Company to that corporation as hereinafter discussed.

As set forth elsewhere in this Proxy Statement, during December 1967 and in the year 1968 the Company acquired 250,000 shares of Bralorne and entered into mining syndicate agreements with Bralorne and others, including Bralorne Oil & Gas Limited, a partially owned subsidiary of Bralorne. At the time of such transactions, Mr. Berlis was a director of Bralorne and one or more of its subsidiaries and the owner

of 1,100 shares of its stock. After the acquisition of most of the aforesaid Bralorne shares by the Company, Messrs. Porzelt, Kemmerer and C. A. Burns also became Directors of Bralorne and continued as such at the time the aforesaid syndicate agreements were entered into. Mr. Porzelt initially acquired 500 shares of Bralorne and 500 shares of its subsidiary, Bralorne Oil & Gas Limited (since increased to 3,500 shares); Mr. Kemmerer acquired 5,000 shares of Bralorne directly and 10,000 shares indirectly through Old Dominion Development Company, of which he is an officer, director and stockholder, as well as 2,000 shares of Bralorne Oil & Gas Limited; and Mr. C. A. Burns acquired 100 shares of Bralorne. In April 1969, Messrs. Porzelt, Berlis and C. A. Burns acquired from Bralorne at 80 cents per share (the cost thereof to Bralorne) 60,000, 5,000 and 10,000 shares, respectively, of its subsidiary Bralorne Oil & Gas Limited which shares are in addition to the shares mentioned in the preceding sentence.

The firm of Edison, Aird & Berlis, of which Mr. Berlis is a partner, was paid $7,525. for legal services rendered to the Company for the year 1968. In addition, the firm of Edison, Aird & Berlis was paid $3,135. for legal services rendered to syndicates of which the Company is a participant.

Messrs. Kemmerer, Porzelt, Berlis and C. A. Burns, directors, officers and/or shareholders of Bralorne, beneficially own 5,000, 500, 1,100 and 100 shares of Bralorne respectively. In addition, Messrs. Porzelt, Berlis, Kemmerer and C. A. Burns own 63,500, 5,000, 2,000 and 10,000 shares respectively of Bralorne Oil & Gas Limited, a subsidiary of Bralorne. To the best of the knowledge of the officials of the Company, no other officer or director of the Company has any financial interest in the transactions contemplated by the Agreement to be considered by the shareholders at this meeting other than as the holders of common stock of the Company and other than Mr. Burns' employment contract referred to above which contract is intended to be assumed by Bralorne.

SALE OF ASSETS AND SURRENDER OF CHARTER

The Meeting has also been called to consider and take action upon the Agreement of Purchase and Sale of Assets dated April 30, 1969 ("the Agreement") between the Company and Bralorne. The Agreement, a copy of which is attached hereto as Exhibit "1", contemplates, among other things, the transfer by the Company of substantially all its undertaking, business, property and assets to Bralorne (except for 250,000 shares of Bralorne presently owned by the Company and certain reserves of cash to cover the Company's expenses in connection with the transaction) in exchange for 3,234,260 shares of Bralorne. The Agreement also contemplates the rateable distribution among its shareholders of the Company's assets, namely the shares of Bralorne received by the Company by virtue of the Agreement, as well as the 250,000 shares already owned by the Company, and the surrender of the Company's charter. Upon consummation of the Agreement, the Company will be liquidated and the holders of the Company's shares will receive upon surrender of their shares for cancellation, one share of Bralorne common stock for each share of the Company's common stock then held by them.

To accomplish this, there will be submitted to the Meeting the following resolutions: (i) a resolution confirming a resolution heretofore adopted by the Board of Directors on April 30, 1969 approving the Agreement, in order that said resolution will constitute, if confirmed by the shareholders, a Special Resolution of the Company; and (ii) a resolution authorizing the rateable distribution of the Company's assets among its shareholders and authorizing an application to surrender the Company's charter. A copy of each of the aforementioned resolutions is attached hereto as Exhibit "2".

The adoption of the proposal referred to in clause (i) above requires the affirmative vote of at least two-thirds of the votes cast at the Meeting, while the adoption of the proposal referred to in clause (ii) above requires the affirmative vote of at least a majority of the votes cast at the Meeting. Each of the proposals referred to in clauses (i) and (ii) above constitutes an integral part of the Agreement and, consequently, unfavourable action with respect to either of them will prevent consummation of the Agreement.

REASONS FOR THE AGREEMENT AND RECOMMENDATION OF DIRECTORS

The purpose of the Agreement is to provide advantages to the Company's shareholders in that they will become shareholders in a larger Company with greater financial and management resources and with economies resulting from the combination of overlapping functions, particularly since the Company and Bralorne are presently jointly participating in two exploration syndicate agreements. Thus, the larger company

will have a better competitive position in the acquisition and development of worthwhile mining properties and opportunities. The basis for the exchange was determined in negotiations between the Company and Bralorne after taking into account their relative earning power based on both past and anticipated future operations, their relative financial positions, the relative current and historical market prices of their respective capital stock and other factors deemed pertinent.

Your Board of Directors has carefully considered and approved the terms of the Agreement and believes it to be in the best interests of the Company and its shareholders, and strongly recommends that the shareholders vote in favour of the aforementioned proposals.

MATERIAL FEATURES OF THE AGREEMENT

The following summary sets forth certain features of the Agreement, but it is not intended to be a complete description thereof. For its actual provisions, shareholders should refer to the copy of the Agreement set forth as Exhibit "1" hereto.

The Agreement provides that the Company will transfer to Bralorne substantially all of its properties and assets solely in exchange for voting common shares of Bralorne and the assumption by Bralorne of substantially all of the liabilities and obligations of the Company. The Company will retain from the properties and assets at the time of Closing (i) 250,000 shares of Bralorne presently owned by the Company and (ii) $100,000 in cash for the payment of its expenses arising in connection with the consummation of the transactions provided for, in, or contemplated by, the Agreement. Should such cash exceed the amount required in this connection, the excess will be paid to Bralorne.

In exchange for the assets of the Company to be sold at the time of Closing, Bralorne will issue and deliver to the Company 3,234,260 fully paid and non-assessable Bralorne common shares.

Consummation of the Agreement is conditional upon the happening of certain events, including:

(a) approval by the Company's shareholders of the Agreement, as well as their approval of the rateable distribution of the Company's assets and surrender of its charter;

(b) approval by Bralorne's shareholders of the Agreement;

(c) receipt by the Company of a satisfactory tax ruling (see information under the caption "Tax Status");

(d) receipt of certain legal opinions;

(e) approval of the transaction by the Toronto, Vancouver and Montreal Stock Exchanges;

(f) consent of The Algoma Steel Corporation, Limited to the assignment of the lease ("Algoma Lease") of certain of the Company's mining properties and the receipt of all other requisite consents and approvals, if any, to the assignment or transfer of any other assets;

(g) at the time of Closing Bralorne's authorized capital shall consist of 7,500,000 shares of common stock of which only 1,617,450 shares shall be outstanding.

At the time of Closing, in exchange for the assets of the Company, Bralorne will deliver (i) a certificate representing 3,234,260 shares of its common stock, and (ii) its written undertaking to assume and fully discharge all debts, obligations, contracts and liabilities of the Company existing up to the time of Closing except as otherwise provided in the Agreement with respect to taxes, if any, and expenses of the Company in carrying out the Agreement. Non-performance of any condition of the Agreement, if not waived by the party entitled to such performance, may result in the termination of the Agreement, but neither party in such event shall have any liability to the other.

In order to consummate the Agreement, it will be necessary that the shareholders of Bralorne approve an increase in its authorized capital stock. It is intended that prior to the time of Closing, the shareholders of Bralorne will approve the Agreement, the increase in its authorized share capital to 7,500,000 shares of common stock, certain changes in its Articles of Association, and the change of its name to Bralorne Can-Fer Resources Limited.

It is contemplated that the exchange of properties and assets of the Company for the common shares of Bralorne will take place on a date (the "time of Closing") within 30 days after the later of receipt of said satisfactory tax ruling or shareholder approval by both companies. In the event that said tax ruling is not satisfactory or in the event it is not forthcoming by October 31, 1969 either of the parties may terminate the Agreement and no liability shall result from said termination.

TAX STATUS

The consummation of the Agreement is subject to the receipt by the Company of a written ruling from the Commissioner of Internal Revenue of the United States of America satisfactory to Special United States Tax Counsel for the Company, Messrs. Gifford, Woody, Carter & Hays, to the effect among other things, (a) that the receipt of shares of the capital stock of Bralorne, pursuant to the Agreement, by shareholders of the Company who are citizens of the United States or who are otherwise subject to United States income taxes, will not result in income which would be subject to United States income taxes, (b) that no gain or loss will be recognized to said shareholders of the Company upon receipt by them of shares of the capital stock of Bralorne solely in exchange for their shares of the Company pursuant to the Agreement, (c) that the shares of Bralorne stock so received by the said shareholders of the Company will qualify as a "class of stock" as defined in Section 4920(b) of the United States Internal Revenue Code and the acquisition thereof by said shareholders of the Company will not be subject to the United States Interest Equalization Tax and that said Interest Equalization Tax will not be applicable to any subsequent sale of said stock by said stockholders and (d) that the transfer by said shareholders of their shares pursuant to the Agreement shall not be subject to United States excise taxes.

CONSUMMATION OF THE AGREEMENT

The Agreement provides that as soon as practicable after the time of Closing, the Company will distribute its assets, namely, the shares of Bralorne received at the time of Closing as well as its present shares in Bralorne, among its shareholders and surrender its Charter. No transfers of the Company's shares will be permitted on its books after the close of business on the date set as the time of Closing and brokers dealing in the Company's shares will be so notified through the medium of financial news services. Only holders of common stock of record at such time shall be entitled to receive such exchange. Each shareholder entitled to participate in the exchange at the time of Closing will receive one share of Bralorne for each share of the Company owned by him on such date. A certificate representing the number of Bralorne common shares to which each holder of the Company's common stock is entitled will be distributed to him against surrender of his certificate or certificates for his shares of the Company. It is not anticipated that any persons will be entitled to fractional shares and, accordingly, no fractional shares will be distributed; in the event such circumstances do arise, arrangements will be made by which each of the Company's shareholders who would otherwise have been entitled to a fractional share of Bralorne stock will be given the opportunity, during a 60 day period beginning on the commencement date for such exchange, to instruct The Sterling Trusts Corporation, the Company's transfer agent, or The First Jersey National Bank, Jersey City, New Jersey (formerly First National Bank of Jersey City), the Company's co-transfer agent, as his agent, either to sell his fractional interest or purchase an additional fractional interest sufficient to make one full share. Shareholders will be advised of further details of the distribution of assets and the surrender of the Company's Charter promptly after the time of Closing.

OPERATION OF THE BUSINESS OF THE COMPANY SUBSEQUENT TO THE CONSUMMATION OF THE AGREEMENT

Bralorne has advised the Company that it intends to operate the business of the Company as an exploration division of Bralorne having its headquarters at Toronto, Ontario and having an office in Vancouver, British Columbia. It is contemplated that employees of the Company will be employed by Bralorne on terms substantially the same as those on which such persons are presently employed by the Company. Reference is hereby made to the caption "Remuneration of Management and Certain Transactions" with respect to Mr. C. A. Burns' employment contract which is to be assumed by Bralorne with minor amendments relating to his title and duties.

CURRENCY MATTERS

All financial statements of both the Company and Bralorne are prepared in Canadian dollars. Conversions of Canadian dollars into United States dollars may be made on the basis of the Canadian Government official rate of exchange of U.S. $0.925 to Canadian $1.00. On May 26, 1969 the United States dollar was quoted in New York City at U.S. $0.9275 to $1.00 Canadian.

STATEMENT OF INCOME OF CAN-FER MINES LIMITED

The following statement of income of the Company for the four years ended December 31, 1968 has been examined by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants. It should be read in conjunction with the financial statements and related notes and the opinion of Thorne, Gunn, Helliwell & Christenson with respect to such financial statements, included elsewhere in this proxy statement and information circular.

	Year ended December 31			
	1965	1966	1967	1968
Revenue				
Received under option agreement (Note 1)	$1,340,000	$ —	$ —	$ —
Royalties from lease of mining claims	83,333	200,000	200,000	200,000
Interest and dividends	26,880	68,706	74,879	54,500
Other income	—	—	—	27,560
	1,450,213	268,706	274,879	282,060
Expenses				
Exploration	9,111	65,156	124,321	13,992
Administrative	10,387	46,210	60,612	61,738
Depreciation (Note 3)	—	788	6,165	6,495
	19,498	112,154	191,098	82,225
Net income for the period before the undernoted item	1,430,715	156,552	83,781	199,835
Deduct exploration and administrative expenditures (Note 2)	1,120,124	—	—	—
Net income for the year (Notes 2 and 6)	$ 310,591	$ 156,552	$ 83,781	$ 199,835
Number of shares outstanding	3,434,260	3,434,260	3,434,260	3,478,260
Net income per share	$.09	$.05	$.02	$.06
Dividends per share	$.03	—	$.03	—

The numerical note references refer to the notes to the financial statements.

Unaudited interim financial information for the quarter ended March 31, 1969, which is not necessarily indicative of the results of operations for the full year ended December 31, 1969, is given below with comparable information for the same quarter of 1968. In the opinion of management all adjustments (which include only normal recurring accruals) necessary to present fairly that unaudited information for those periods have been made.

	Quarter ended March 31	
	1969	1968
Revenue	$ 60,883	$ 61,303
Net income	41,505	23,344
Net income per share	$ .01	$ .01

CONSOLIDATED STATEMENT OF INCOME OF BRALORNE PIONEER MINES LIMITED

The following consolidated statement of income of Bralorne Pioneer Mines Limited and its subsidiaries for the five years ended December 31, 1968 has been examined by Price Waterhouse & Co., Chartered Accountants. It should be read in conjunction with the financial statements and related notes, and the opinion of Price Waterhouse & Co. with respect to such financial statements, included elsewhere in this proxy statement and information circular.

	Year ended December 31				
Sales and other income:	1964	1965	1966	1967	1968
Gold bullion	$2,764,217	$1,969,194	$1,634,982	$1,836,372	$1,996,278
Oil and gas sales	321,857	628,276	581,839	533,293	539,559
Investment and other income (net)	109,691	95,658	62,448	65,711	149,634
Profit on disposal of investments	1,195,913	241,208	206,793	96,725	30,003
	4,391,678	2,934,336	2,486,062	2,532,101	2,715,474
Costs and expenses:					
Gold mining (Note 6)	3,015,293	2,374,460	2,507,932	2,212,387	2,293,548
Recoverable expenses under The Emergency Gold Mining Assistance Act	(453,683)	(630,460)	(490,139)	(499,995)	(541,089)
Oil and gas production (Note 6)	220,095	437,709	439,083	433,354	441,854
Other amortizations and expenditures (Note 2)	75,168	150,193	136,783	23,286	126,522
Administrative and general expenses (Note 5)	175,091	160,667	208,026	286,999	301,440
Current income taxes (Note 4)	8,561	(7,327)	—	—	—
Deferred income taxes (Note 4)	28,000	(18,000)	(76,000)	211,000	8,000
Minority shareholders' interest	—	—	—	41,644	(6,191)
	3,068,525	2,467,242	2,725,685	2,708,675	2,624,084
Income (loss) before discontinued operations and extraordinary items	1,323,153	467,094	(239,623)	(176,574)	91,390
(Loss) of non-consolidated subsidiary sold during 1968 (Note 1)	—	(227,017)	(306,831)	(116,323)	(48,908)
Income (loss) before extraordinary items	1,323,153	240,077	(546,454)	(292,897)	42,482
Income tax reduction arising from application of loss carry forward	—	—	—	190,000	—
Adjustment arising on disposal of investment in non-consolidated subsidiary — non-taxable (Note 1)	—	—	—	—	206,585
Net income (loss) for the year (Note 8)	$1,323,153	$ 240,077	($ 546,454)	($ 102,897)	$ 249,067
Number of shares outstanding	1,614,350	1,617,450	1,617,450	1,617,450	1,617,450
Per share —					
Income (loss) before discontinued operations	$.82	$.29	($.15)	($.11)	$.06
Income (loss) before extraordinary items	.82	.15	(.34)	(.18)	.03
Net Income (loss)	.82	.15	(.34)	(.06)	.15
Dividends	$.40	$.40	$.05	—	—

The numerical note references refer to the notes to the financial statements.

Unaudited interim financial information for the quarter ended March 31, 1969, which is not necessarily indicative of the results of operations for the full year ended December 31, 1969, is given below with comparable information for the same quarter of 1968. In the opinion of management all adjustments (which include only normal recurring accruals) necessary to present fairly that unaudited information for those periods have been made. A profit on disposal of investments of $135,487 ($.08 per share) is included in "Sales and other income" for 1969 — nil in the first quarter of 1968.

	Quarter ended March 31	
	1969	1968
Sales and other income	$ 849,949	$ 794,042
Net income	175,367	23,732
Net income per share	$ .11	$ .01

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

The following unaudited statement reflects the combining of the statements of income of the Company and Bralorne Pioneer Mines Limited and its subsidiaries for the four years ended December 31, 1968 on a pooling of interests basis. It should be read in conjunction with the financial statements and related notes of the Company and Bralorne and the pro forma financial statements and the note thereto, all included elsewhere in this proxy statement and information circular.

	Year ended December 31			
	1965	1966	1967	1968*
Sales and other income:				
Gold bullion	$1,969,194	$1,634,982	$1,836,372	$1,996,278
Oil and gas sales	628,276	581,839	533,293	539,559
Received under option agreement	1,340,000	—	—	—
Royalties from lease of mining properties	83,333	200,000	200,000	200,000
Other income (net)	363,746	337,947	237,315	261,697
	4,384,549	2,754,768	2,806,980	2,997,534
Costs and expenses:				
Gold mining	2,374,460	2,507,932	2,212,387	2,293,548
Recoverable expenses under The Emergency Gold Mining Assistance Act	(630,460)	(490,139)	(499,995)	(541,089)
Oil and gas production	437,709	439,083	433,354	441,854
Other amortizations and expenditures	1,279,428	201,939	147,607	7,301
Administrative and general expenses	171,054	255,024	395,420	363,482
Income taxes	(25,327)	(76,000)	211,000	57,000
	3,606,864	2,837,839	2,899,773	2,622,096
Income (loss) before discontinued operations and extraordinary items	777,685	(83,071)	(92,793)	375,438
(Loss) of non-consolidated subsidiary sold during 1968	(227,017)	(306,831)	(116,323)	(48,908)
Income (loss) before extraordinary items	550,668	(389,902)	(209,116)	326,530
Income tax reduction arising from application of loss carry forward	—	—	190,000	—
Adjustment arising on disposal of investment in non-consolidated subsidiary — non-taxable	—	—	—	206,585
Pro forma net income (loss) for the year	$ 550,668	($ 389,902)	($ 19,116)	$ 533,115
Number of shares outstanding	4,851,710	4,851,710	4,851,710	4,851,710
Per share —				
Income (loss) before discontinued operations	$.16	($.02)	($.02)	$.08
Income (loss) before extraordinary items	.11	(.08)	(.04)	.07
Pro forma net income (loss)	.11	(.08)	—	.11

* The pro forma consolidated statement of income for 1968 includes adjustments (4) and (5) described in the accompanying "Note to pro forma consolidated financial statements".

Unaudited interim pro forma financial information for the quarter ended March 31, 1969, which is not necessarily indicative of pro forma results of operations for the full year ended December 31, 1969 is given below with comparable pro forma information for the same quarter of 1968. In the opinion of management all adjustments (which include only normal recurring accruals) necessary to present fairly that unaudited pro forma information for those periods have been made. A profit on disposal of Bralorne investments of $135,487 ($0.3 per share) is included in "Sales and other income" for 1969 — nil in the first quarter of 1968.

	Quarter ended March 31	
	1969	1968
Sales and other income	$ 910,832	$ 855,345
Net income	216,872	47,076
Net income per share	$ .04	$ .01

BRALORNE CAN-FER RESOURCES LIMITED

PRO FORMA CONSOLIDATED BALANCE SHEET

As at December 31, 1968 (unaudited)

(after giving effect to the proposed transactions described in the note)

ASSETS

	Bralorne	Can-Fer	Pro Forma Adjustments	Pro Forma
CURRENT ASSETS	$2,117,506	$1,005,688	(1) $ 7,500 (2) (100,000)	$3,030,694
INVESTMENTS AND OTHER ASSETS	1,679,477	708,926	(3) (568,890) (4) 133,213	1,952,726
CAPITAL ASSETS:				
Mining properties, development and exploration, at cost less accumulated depletion of $4,141,874	292,983	203,255		496,238
Buildings, plant and equipment, at cost less accumulated depreciation of $3,733,929	576,417	7,746		584,163
Petroleum and natural gas interests and production facilities, at cost less accumulated depletion and depreciation of $1,299,071	2,093,090			2,093,090
	2,962,490	211,001		3,173,491
	$6,759,473	$1,925,615	($ 528,177)	$8,156,911

LIABILITIES

	Bralorne	Can-Fer	Pro Forma Adjustments	Pro Forma
CURRENT LIABILITIES	$ 320,234	$ 15,795		$ 336,029
DEFERRED INCOME TAXES	188,000		(5) $ 49,000	237,000
MINORITY SHAREHOLDERS' INTEREST IN SUBSIDIARIES	305,751			305,751
	813,985	15,795	49,000	878,780
CAPITAL AND SURPLUS:				
Capital stock of Bralorne — Authorized: 2,000,000 shares of no par value (7,500,000 shares after proposed transactions) Issued: 1,617,450 shares (4,851,710 shares after proposed transactions)	4,434,400		(6) 1,496,028	5,930,428
Capital stock of Can-Fer — Authorized: 6,000,000 shares without par value Issued: 3,478,260 shares (3,484,260 shares after exercise of option)		1,488,528	(1) 7,500 (6) (1,496,028)	
Contributed surplus	158,906			158,906
Earned surplus	1,352,182	421,292	(3) (568,890) (4) 133,213 (5) (49,000) (2) (100,000)	1,188,797
	5,945,488	1,909,820	(577,177)	7,278,131
	$6,759,473	$1,925,615	($ 528,177)	$8,156,911

NOTE TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 1968 (unaudited)

The accompanying pro forma consolidated balance sheet as at December 31, 1968 and the pro forma consolidated statement of income for the four years then ended give effect to the proposed change in the name of Bralorne Pioneer Mines Limited (Bralorne) to Bralorne Can-Fer Resources Limited and to the proposed acquisition by that company of substantially all of the undertaking, business and net assets of Can-Fer Mines Limited (Can-Fer) excepting 250,000 shares of Bralorne which Can-Fer now owns and a reserve of cash to cover Can-Fer's expenses in connection with the transaction. The proposed acquisition transaction which is outlined in more detail in the notes to the financial statements of Bralorne has been accounted for on a pooling of interests basis.

The adjustments shown in the pro forma consolidated balance sheet and incorporated where applicable in the pro forma consolidated statement of income are described as follows:—

(1) The issue in 1969 of 6,000 shares of Can-Fer upon the exercise of the option outstanding at December 31, 1968.

(2) The retention by Can-Fer of $100,000 to cover its estimated expenses in connection with the transaction.

(3) The retention by Can-Fer of its investment in 250,000 shares of Bralorne ($568,890), as this asset is not to be included in the Can-Fer assets proposed to be acquired by Bralorne.

(4) The deferral by Bralorne (for consistency in accounting practice with Can-Fer) of exploration costs ($133,213) incurred on mining properties continuing under active examination. In the future the amount deferred will be amortized against production from such properties or will be written off upon cessation of work thereon.

(5) The provision for deferred income taxes ($49,000) relating to the deferral adjustment described in (4) above.

(6) The increase in the authorized share capital and the issue of 3,234,260 shares as consideration for substantially all of the undertaking, business and net assets of Can-Fer as referred to above.

COMPARATIVE EARNINGS (LOSS) PER SHARE

	Year Ended December 31			
	1965	1966	1967	1968
Can-Fer:				
Historical	$.09	$.05	$.02	$.06
Pro Forma	.11	(.07)	.00	.10*
Bralorne:				
Historical	.15	(.34)	(.06)	(.15)
Pro Forma	.11	(.08)	.00	.11*

* If adjustments (4) and (5) described in the accompanying "Note to pro forma consolidated financial statements" had not been included in the pro forma consolidated statement of income for 1968, the 1968 pro forma earnings per share for Can-Fer and Bralorne would both have been $.09.

COMPARATIVE BOOK VALUE PER SHARE
as at December 31, 1968

Can-Fer:	
Historical	$ .55**
Pro Forma	1.39
Bralorne:	
Historical	3.68
Pro Forma	1.50

** The Algoma lease (which the Company considers to be its principal asset at this time) and the present value of the minimum advance royalties to be derived therefrom are not carried at any amount in the Company's accounts and financial statements. See caption "Algoma Lease" and Note 1 to the financial statements with respect to the Algoma lease.

COMPARATIVE DIVIDEND RECORD

Dividends paid by both companies during the past five years have been as follows:

Year	Can-Fer	Bralorne
1964	—	40¢ per share
1965	—	40¢ per share
1966	3¢ per share†	5¢ per share
1967	3¢ per share	—
1968	—	—
1969 to date	—	—

†Declared in 1965 and paid in 1966.

COMPARATIVE MARKET PRICE

The shares of the Company are traded on the Toronto Stock Exchange while the shares of Bralorne are traded on the Vancouver, Toronto and Montreal Stock Exchanges. The following is a comparative summary of market prices on the Toronto Stock Exchange of the shares of the Company and Bralorne for the quarterly periods indicated, as obtained from the Statistical Department of the Toronto Stock Exchange.

Year		Common Stock of Can-Fer (1) & (2) High	Low	Common Stock of Bralorne (1) High	Low
1966	First Quarter	$0.94	$0.80	$4.65	$3.60
	Second Quarter	$1.14	$0.60	$4.00	$2.70
	Third Quarter	$0.76	$0.66	$3.10	$2.26
	Fourth Quarter	$1.10	$0.69	$2.34	$1.25
1967	First Quarter	$1.01	$0.85	$1.75	$1.49
	Second Quarter	$1.00	$0.80	$2.00	$1.55
	Third Quarter	$1.29	$0.92	$1.80	$1.50
	Fourth Quarter	$1.05	$0.85	$2.50	$1.40
1968	First Quarter	$1.20	$0.90	$2.97	$2.00
	Second Quarter	$1.69	$0.94	$2.30	$2.02
	Third Quarter	$2.50	$1.40	$2.30	$1.90
	Fourth Quarter	$3.55	$2.01	$2.60	$2.12
1969	First Quarter	$4.05	$2.50	$3.70	$2.50
	Second Quarter through May 26, 1969	$4.85	$3.00	$4.25	$2.55
	May 26, 1969	$4.70	$4.30	$4.25	$4.15

(1) All prices are quoted in Canadian Dollars.

(2) The shares of the Company were listed on the Toronto Stock Exchange on March 11, 1966.

On February 19, 1969, the day prior to the date on which the proposed transfer of assets was announced publicly, the closing market price on the Toronto Stock Exchange for shares of the Company was $3.45 and for the shares of Bralorne was $3.55; on May 26, 1969 such closing market prices were $4.60 for the Company and $4.25 for Bralorne.

The shares of the Company are also quoted in the over-the-counter market in New York. The following quotations (in U.S. currency) have been obtained from the National Daily Quotation Service — Eastern Section. Conversion into Canadian currency has been made on the basis of the official rate of Canadian government exchange of U.S. $0.925 to Canadian $1.00. The quotations below represent prices between dealers and do not include retail mark-up, mark-down or commission.

	BID PRICES				ASKED PRICES			
	High		Low		High		Low	
	U.S.	Can.	U.S.	Can.	U.S.	Can.	U.S.	Can.
1967								
First Quarter	$1.13	$1.22	$ .88	$ .95	$1.25	$1.35	$1.13	$1.22
Second Quarter	1.13	1.22	.80	.86	1.25	1.35	1.00	1.08
Third Quarter	1.25	1.35	1.00	1.08	1.38	1.49	1.13	1.22
Fourth Quarter	1.00	1.08	.75	.81	1.25	1.35	1.95	1.03
1968								
First Quarter	1.38	1.49	.75	.81	1.63	1.76	.95	1.03
Second Quarter	1.75	1.89	1.00	1.08	2.00	2.16	1.25	1.35
Third Quarter	2.63	2.84	1.38	1.49	3.00	3.24	1.63	1.76
Fourth Quarter	3.88	4.19	2.25	2.43	4.25	4.59	2.50	2.70
1969								
First Quarter	4.25	4.59	2.88	3.11	4.50	4.86	3.25	3.51
Second Quarter through May 26, 1969	4.88	5.27	3.25	3.51	5.25	5.67	3.50	3.78
May 26, 1969	4.88	5.27	4.50	4.86	5.25	5.67	5.00	5.40

CAPITALIZATION

The capitalization, expressed in Canadian dollars, of each of the Company and Bralorne as at December 31, 1968 and the pro forma capitalization as at that date is as follows:

Capital and Surplus	Bralorne	Can-Fer	Pro forma adjustments	Pro forma combined — Bralorne Can-Fer Resources Limited
Capital stock of Bralorne —				
Authorized:				
2,000,000 shares of no par value (7,500,000 shares after proposed transactions)				
Issued:				
1,617,450 shares (4,851,710 shares after proposed transactions)	$4,434,000		(6) $1,496,028	$5,930,428
Capital stock of Can-Fer —				
Authorized:				
6,000,000 shares without par value				
Issued:				
3,478,260 shares (3,484,260 shares after exercise of option)		$1,488,528	(1) 7,500 (6) (1,496,028)	
Contributed surplus	158,906			158,906
Earned surplus	1,352,182	421,292	(3) (568,890) (4) 133,213 (5) (49,000) (2) (100,000)	1,188,797
	5,945,488	1,909,820	(577,177)	7,278,131

NOTE:

The numerical references in the above table refer to the individual adjustments described in the accompanying "Note to pro forma consolidated financial statements".

DESCRIPTION OF BRALORNE SHARES

Common Shares are the only class of capital stock of Bralorne outstanding. All shares, including the shares to be issued pursuant to the Agreement of Purchase and Sale of Assets, have equal rights and privileges with respect to dividends, voting and distributions on liquidation. Each share is entitled to one vote on all questions. Holders of shares do not have pre-emptive rights to subscribe to shares. All presently issued and outstanding shares are fully paid and non-assessable and the shares to be issued pursuant to the Agreement of Purchase and Sale of Assets will be fully paid and non-assessable. Unlike the common shares of the Company, Bralorne's common shares do not carry cumulative voting rights for the election of directors and therefore the holders of more than 50% of the common shares thereof can elect all of the directors if they choose to do so. In such event the holders of the remaining shares cannot elect any directors.

BUSINESS AND PROPERTIES OF THE COMPANY

General

Can-Fer Mines Limited was incorporated in the Province of Ontario by Letters Patent bearing date August 19, 1957.

Initially, the Company acquired a number of unpatented mining claims in the Onaman Iron Range, Kowkash Area, Kowkash Mining Division, Ontario, and undertook a substantial programme of exploration and development on these claims. As a result, the Company acquired a number of other mining claims and entered into various option agreements to acquire mining claims in the adjacent area.

By the Spring of 1960, through a programme of exploration and drilling, the Company's geologists had been successful in outlining a number of large bodies of low-grade iron-bearing material in this area.

In 1960 and 1961 the Company (a) carried out a programme of exploration on its iron claims in an endeavour to delimit the tonnage and grade of the iron-bearing material in one of the mineralized bodies and (b) did bulk sampling and metallurgical testing of the iron-bearing material with a view to investigating various alternative methods of production of the iron which might render the low-grade material susceptible to concentration for commercial exploitation. The results of such work, although not establishing a commercially mineable orebody, did outline a large body of low-grade iron-bearing material. From 1961 to 1965 the Company's only significant activities consisted of negotiating with a number of steel companies in an endeavour to secure their participation in a programme to determine whether any commercially feasible method could be devised whereby the property could be exploited.

As a result of these negotiations there was concluded between the Company and The Algoma Steel Corporation, Limited ("Algoma") an agreement, dated March 25, 1965, whereby Algoma for $40,000 and its undertaking to expend a minimum of $120,000 on exploration during a period of 128 days, acquired an option, exercisable by the payment to the Company of $1,300,000, to lease the Company's properties for 99 years.

Algoma Lease

Algoma exercised the option on July 31, 1965, paid the Company $1,300,000 and acquired a lease of the Company's property which became effective on August 1, 1965. The major provisions of this lease provide as follows:

Algoma is to pay to the Company during the first 20 years (whether or not the property is ever put into production) an advance royalty of $200,000 per year save and except that no royalty is payable for a period up to a maximum of 4 years from such time as Algoma commences expenditures designed to place the property in commercial production, if ever, and until production, if any, is achieved. The lease also provides for the payment of royalties based on production and that the advance royalties paid under the above provisions shall be applied against any such earned royalties. To date all advance royalty payments by Algoma are up to date and a total of $600,000 has been received by the Company on account thereof.

Commencing with the first commercial shipment of iron ore pellets and during the balance of the lease term, royalties will be payable to the Company against iron ore pellets mined and shipped from the property, at the following rates:

(a) If mined from open cut mining operations —
40 cents per gross ton shipped during the first year;
50 cents per gross ton shipped during the second year;
60 cents per gross ton shipped during the third year; and
65 cents per gross ton shipped thereafter; and

(b) if mined from underground mining operations —
30 cents per gross ton shipped.

The lease provides for a minimum royalty of $350,000 per year commencing with the first commercial shipment of pellets, subject to reduction of that annual minimum royalty, if Canadian Primary Steel Industry Steel Ingot production in any calendar year falls below 75% of rated capacity; that royalty rates (other than

minimum or advance royalty) be adjusted from time to time in direct proportion to an increase or decrease of the published price per unit iron natural content of Lake Superior pellets rail of vessel Lower Lake Ports from the published prices in effect on March 25, 1965; and that royalty rates (other than minimum and advance royalties) are based on pellets containing up to 66 units iron natural content, with an upward adjustment for a higher iron content.

The lease term is 99 years provided however that after the twentieth year (unless the property is in production in which event the royalties and minimum royalty of $350,000 per annum described above are applicable) only nominal rent of $100 per annum will be payable and Algoma may renew the lease for up to 990 years at the same nominal rental of $100 per annum (subject to the royalties and minimum royalties described above). The lease contains, among other things, provisions for arbitration and for treatment of minerals other than iron which may be found on the leased property.

Since leasing the property to Algoma, the Company has had no access to Algoma's records relating to the property, under the Agreement has no right to such access, and does not know the extent of the additional exploration work which has been done by Algoma on the property, nor has the Company requested such information. In the light of this lack of information, the Company has no knowledge as to whether or not a commercially mineable orebody is known to exist on the property. To date, Algoma has not indicated to the Company the nature of its plans, if any, as to the placing of the property into production.

Subsequent Activity

Since the Summer of 1965, portions of the revenue generated from the Algoma lease have been utilized by the Company in an active exploration programme throughout Canada under the professional direction of Mr. C. A. Burns, the President of the Company. During the years 1965 through 1967 inclusive, a number of mining properties and areas were examined by the use of geology, geochemistry and both aerial and ground geophysics; however, no showings of commercial significance were located in that period and the properties were abandoned.

In the Fall of 1967 the Company evaluated the assets and liabilities of Bralorne with a view to making a substantial investment therein. As a result of this evaluation the Company in 1967 and 1968 purchased 250,000 of Bralorne's outstanding common shares. In early 1968 discussions began between the Company and Bralorne concerning their joint participation in syndicate agreements.

Syndicate Agreements

A— By agreement dated January 1, 1968, the Company, Newmont Mining Corporation of Canada Limited ("Newmont") and Mr. J. R. Billingsley ("Billingsley") entered into a syndicate agreement, of which Newmont is the manager, to participate for a 2 year period in a joint mineral exploration programme in a designated area of the Province of British Columbia.

An initial geochemical (stream silt sampling) survey conducted by this syndicate in early 1968 resulted in the location of a number of geochemical anomalies over an area of approximately 2,000 feet in diameter covering a copper-molybdenite occurrence which was staked by the syndicate and on which the syndicate has carried out additional exploration work consisting of magnetometer surveys, geological mapping, and surface trenching, as well as the drilling of 5 diamond drill holes in the latter part of that field season. This limited drilling revealed mineralization of only low grade but the results are considered sufficient to warrant additional exploratory work. The syndicate plans such additional work during the 1969 field season on this property designed to determine whether a commercially mineable orebody may be present. The Company's expenditures thus far on this syndicate have been approximately $36,037.

The syndicate agreement provides for the contribution of the necessary funds of up to a maximum of $75,000 per month, ⅓ by the Company and ⅔ by Newmont, and if prior to December 31, 1969 the syndicate has not been dissolved, for the transfer by the syndicate of its properties to a company to be organized for that purpose; for the first $15,000 required to be expended, to issue 1,000,000 vendor's shares in the new company or such maximum lesser amount as may be allowable by the appropriate government regulatory bodies in the following manner — ¼ to the Company, ½ to Newmont and ¼ to Billingsley; for the granting of options on shares of the new company in proportion to the respective total contributions by each party

after the initial \$15,000 expenditure; for the financing of the new company, ⅓ by the Company and ⅔ by Newmont, said financing to be repaid out of 80% of the first operating profits, if any, of the new company. Other terms of the agreement provide for the day-to-day operations of the syndicate, the management of its affairs by the Company in certain circumstances and provisions relating to the discontinuance of contributions by either party.

B— By agreement dated February 1, 1968, the Company, Bralorne, Pacific Petroleums Ltd. ("Pacific") and Bralorne Oil & Gas Limited entered into a syndicate agreement, known as "Can-Fer Exploration Syndicate", to participate for an initial 3 year period in a joint mineral exploration programme throughout Canada, which agreement is automatically renewable for an additional 3 year term. The agreement provides for the Company acting as operator of the mineral exploration programme with a maximum budget of \$400,000 per annum, excluding the cost of special projects and also provides for Can-Fer Exploration Syndicate replacing the Company in another syndicate agreement with Newmont which is described below.

Since its inception, Can-Fer Exploration Syndicate has been active in a number of projects and the syndicate now holds properties in several areas of Canada of possible exploration interest for copper, molybdenum and uranium. None of these properties are considered material assets of the Company. However, the syndicate intends to do prospecting, geologic mapping, trenching and mapping on these properties to determine if they should be retained or if further work is warranted. In addition, Can-Fer Exploration Syndicate acquired in December 1968 an exploration permit covering 240 square miles in northern Saskatchewan, southwest of Wollaston Lake, in an area currently being explored for uranium which exploration permit requires a \$30,000 work commitment during the first year. To date the Company knows of no uranium mineralization in this permit area; however it is the intention of Can-Fer Exploration Syndicate to conduct during the 1969 field season an airborne radiometric survey in conjunction with limited surface examination.

The Company, with certain exceptions, during the term of this syndicate agreement undertook not to engage in exploration endeavours in Canada outside of this syndicate agreement. To March 31, 1969 the Company's share of expenditures in this syndicate has been approximately \$124,000 which amount includes the Company's share of Can-Fer Exploration Syndicate's expenses in the syndicate described in paragraph C below.

Can-Fer Exploration Syndicate members are required to contribute for the general exploration budget, which excludes special projects, up to a collective maximum of \$400,000 in advance in each year, ⅜ by the Company, ¼ by Bralorne, ¼ by Pacific, and ⅛ by Bralorne Oil & Gas Limited, with the parties to share proportionately in the proceeds of the sale of any fixed assets or equipment of the syndicate on its termination. The agreement also makes provision for the direction of the syndicate by a committee of representatives of the members; the payment for overhead to the Company, as operator, of a sum equal to 7% of the aggregate expenses of the syndicate; the right of the Company to a 15% interest, in addition to its syndicate participation interest, in lieu of management fees in any properties acquired; the assignment of interests in acquired properties to employees as an incentive; the day to day operation of the syndicate including entering into contracts, staking claims, carrying insurance, workmen's compensation payments, maintenance of books, hiring technical staff, payment of expenses and monthly reports to syndicate members; the designation of a property as a "special project" which will require further development with a view to production and the expenditure of sums in addition to the annual budget of \$400,000; the transfer of a special project property to a new company to be incorporated in consideration of shares of such new company, and the means of financing the same to production.

C— By agreement dated March 15, 1968, the Company and Newmont entered into a syndicate agreement to participate in a joint mineral exploration programme in a designated area of British Columbia, of which the Company is the manager during the initial exploratory stage. The Company's interest in this syndicate agreement has been assigned to Can-Fer Exploration Syndicate.

To date an initial geochemical survey and prospecting has been completed as a result of which a 130 claim group has been staked on which two occurrences of copper mineralization have been observed on the surface approximately 1,700 feet apart. However, no appreciable sampling of these occurrences has been undertaken and their significance, if any, is unknown. Further exploratory work, including diamond drilling is intended to be undertaken on these occurrences, and additional exploratory work is intended to be done elsewhere on the claims, during the 1969 field season.

This agreement provides for the contribution by Can-Fer Exploration Syndicate and Newmont on a 50-50 basis of an initial sum of $53,400 to defray the first costs of the aforementioned geochemical survey and prospecting, but if initial results indicate further work is warranted then the required funds will be contributed 2/7 by Can-Fer Exploration Syndicate and 5/7 by Newmont, which is to manage the diamond drilling project. To March 31, 1969 this syndicate has expended approximately $50,000 of which the Company's proportion has been approximately $19,000.

The syndicate agreement also provides for the appointment of a committee of representatives to make decisions on work programmes; for the incorporation of a new company after expenditure of $200,000 to accept a transfer of any properties warranting further development; and in consideration of the $53,400 required to be expended, to issue 1,000,000 vendor's shares in the new company; for the granting of options on shares of the new company in proportion to the respective total contributions to the work programme by each party after the initial $53,400 expenditure abovementioned; as well as for the dissolution of the committee and that syndicate in the event of the incorporation of the new company.

Competition

There is no direct competition per se between the Company and other Canadian mining and exploration companies, apart from the competition which results from the staking or acquisition of mining claims in areas of active exploration and apart from the competition which results from the marketing of any present and future commercial production obtained from the Company's mining claims. In these connections, the Company is in competition with many companies whose financial resources are far greater than those of the Company.

Employee Relations

As of May 1, 1969 the Company employs on a permanent basis 9 persons, in addition to Mr. C. A. Burns, its President and General Manager and hires an average of 10 to 15 persons as field assistants and prospectors during the field season. Of these employees 7 work out of the Company's head office in Toronto, while 2 work out of the Company's Vancouver exploration office. There has been no work stoppage at any of the Company's operations since incorporation and the Company considers that its employee relations are good.

The Company does not presently have in effect any pension, profit-sharing or stock options, group life, health or accident plans; however, certain of its field employees have incentive bonus arrangements whereby they are entitled to minor interests in properties which the company acquires as a result of their endeavours. Reference is hereby made to the caption "Remuneration of Management and Certain Transactions" in relation to the terms of Mr. C. A. Burns' employment contract with the Company. The Company also has an accident insurance policy for its field personnel and is required under the laws of the various Canadian Provinces in which it carries on exploration to make payments under workmen's compensation legislation in effect in these jurisdictions.

BUSINESS AND PROPERTIES OF BRALORNE

General

Bralorne Mines Limited was incorporated in British Columbia on April 2, 1931 and since that date has owned and operated the Bralorne Mine located in the Bridge River Area of British Columbia. In 1959 its name was changed to Bralorne Pioneer Mines Limited ("Bralorne") when it acquired all of the assets, including the Pioneer Mine, and assumed all of the liabilities of Pioneer Gold Mines of B.C. Ltd., a British Columbia company incorporated in 1928 to operate the Pioneer Mine, which property adjoins the Bralorne Mine property.

Bralorne has been active in many areas in exploration for new mines both independently and with other companies. At the present time such exploration is carried on chiefly as a participant in the Can-Fer Exploration Syndicate.

Bralorne owns a 78.5% interest in Bralorne Oil & Gas Limited, an Alberta Company, which along with its wholly owned subsidiary Bralorne Petroleums Ltd., a Manitoba Company, is engaged in exploring for and producing for sale, oil, natural gas and related hydrocarbons, principally in the Provinces of Alberta, Manitoba, Saskatchewan and Ontario.

Early in 1964 Bralorne incorporated a subsidiary, Concrete Technology (B.C.) Ltd. to undertake contracts for the production and erection of precast and prestressed concrete products and retained an 85% interest therein. Operations of this subsidiary were not as successful as had been anticipated and in August 1968 Bralorne sold its entire interest.

Gold Mining Operations

The principal activity of Bralorne is the mining and milling of gold ore to produce gold bullion which is sold to the Royal Canadian Mint in Ottawa. The Bralorne Mine has been in production since 1932 and is equipped with a 500 ton capacity mill. The Pioneer Mine was in production from 1928 to 1960 when operations were suspended upon exhaustion of commercially mineable grades of ore.

Property

The Bralorne property consists of 107 Crown granted mineral claims covering approximately 2,938 acres. The Pioneer property which adjoins the Bralorne property to the East consists of 26 Crown granted mineral claims covering approximately 876 acres. Both properties are located in the Bridge River Area, Lillooet Mining Division, about seventy miles by road from Lillooet on the Pacific Great Eastern Railway about 150 air miles north from Vancouver.

Plant and Equipment

At the Bralorne property, a 100 ton mill was completed in 1932 using amalgamation and flotation processes. The capacity of the mill was gradually increased in the ensuing years to approximately 500 tons per day. In 1961, a new mill of equal capacity utilizing amalgamation and cyanidation processes was built to replace the former mill. Power for operations is partly supplied by Bralorne's own hydro-electric plant on Cadwallader Creek and additional power is purchased from the British Columbia Hydro & Power Authority operated by the Provincial Government.

The Pioneer property was equipped with a 400 ton per day cyanidation mill. Since cessation of operations in August 1960, at which time no commercially mineable ore remained, most of the surface equipment has been dismantled and underground equipment brought to the surface. Some equipment has been used at the Bralorne Mine and most of the balance has been sold.

Due to the relative isolation of its property Bralorne maintains a town site for its employees with related supporting facilities.

Development

Development work has been carried on continuously since the commencement of mining and the mine has become progressively deeper following the dip of the veins. Principal access is by a tunnel on the 8th level of the mine at an elevation of 3,416 feet above sea level. Generally the various levels of the mine are separated by a vertical distance of 150 feet. Two internal shafts were deepened to the 26th level by 1951 and in 1954 a third internal shaft was sunk from the 26th level to permit development at depth of the "77" vein structure from which all of Bralorne's recent production has been taken, on which all of Bralorne's present activities are directed and in which all of the ore reserves mentioned below are located. By the end of 1962, the third internal shaft had been deepened to the 41st level at an elevation of 1,385 feet below sea level, and during 1965 it was extended a further 439 feet below the 41st level, so that the "77" vein could be developed on two additional levels, the 42nd and 43rd. The ore found on these two levels was of greater width and better grade than on the 41st level and of about the same length and has been developed for approximately the same distance.

In 1968 a decline was sunk from the 43rd level to open up the 44th level 160 feet below. Drifting on the "77" vein on this level is in progress and the results of 350 feet of work done to date are comparable to those on the 42nd and 43rd levels.

To overcome the problem of high rock temperatures on the lower levels, a raise boring machine capable of drilling holes 48 inches in diameter was purchased in 1966. In 1966 and 1967 a series of holes was bored to provide the ventilation necessary to mine the block of ore between the 41st and 43rd levels. The success of this work attracted considerable interest in the use of this machine and upon completion of the programme at the Bralorne Mine, the machine with its trained crew was employed on a contract basis at various other mines in Canada. In April 1969 the machine was returned to the Bralorne Mine to drill further holes to provide ventilation for the new 44th level.

Ore Reserves

Proven ore reserves at December 31, 1968 as calculated by Bralorne's staff under the direction of Mr. J. S. Thomson, P.Eng., Vice-President of Bralorne, were estimated at 152,163 tons grading 0.49 ounce gold per ton, after allowing for a 20% dilution factor. These estimates do not take into consideration the subsequent encouraging results of the work done to date on the 44th level.

Proven ore reserves at the close of recent years were estimated as follows:

December 31st	Tons	Average grade — ounces gold per ton
1964	341,000	0.47
1965	293,000	0.44
1966	131,600	0.51
1967	170,900	0.53
1968	152,163	0.49

Emergency Gold Mining Assistance Act

This Act ("E.G.M.A. Act") was introduced in 1948 by the Canadian government to provide the operators of gold mines with financial assistance in meeting rising production costs. By amendments to this Act, its application has been extended to the end of 1970. The assistance has prolonged the operating life of many gold mines and has thereby allowed the communities dependent upon them to adjust gradually to diminishing economic support. The amount of assistance payable to an operator in respect of his sales of gold to the Royal Canadian Mint is determined by a formula based on the average cost of production per ounce of gold (as determined under the Act and its Regulations) and the number of ounces produced. The maximum cost assistance payable is $10.275 per ounce under present legislation. All such payments are made directly to Bralorne as the operating company.

Production

The following table sets out a summary of production, production costs, related recoveries under the E.G.M.A. Act and income for the years 1966 to 1968 inclusive.

	Ore milled (tons)	Grade of ore milled (ounce gold per ton)	Operating costs (out of pocket) — per ton milled	Paid by the Federal government under the E.G.M.A. Act — per ton milled	Operating costs including E.G.M.A. Act recovery — per ton milled	Total production costs at mine including E.G.M.A. Act recovery — per ton milled *	Income from bullion sales — per ton milled
1966 January 1 to June 30	64,475	.43	$18.02	$4.19	$13.83	$16.15	$15.34
July 1 to December 31	41,338	.43	26.18	5.33	20.85	23.62	15.63
1967 January 1 to June 30	50,720	.49	21.09	4.89	16.20	18.74	17.98
July 1 to December 31	46,612	.54	19.12	5.40	13.72	16.35	19.83
1968 January 1 to June 30	56,639	.57	18.76	4.00	14.76	17.20	21.28
July 1 to December 31	44,021	.49	22.13	7.13	15.00	17.69	17.97

* Total production costs at the mine include depletion and depreciation (on the bases described in Notes 3 and 6 to the consolidated financial statements attached) but exclude exploration expenditures on other mining properties and head office administrative and general expenses.

Marketing

All the gold bullion produced at the Bralorne Mine, the Company's only producing gold mine, is sold to the Royal Canadian Mint at Ottawa. There are no Federal or Provincial regulations governing the amount of gold that the Company can mine, or to whom the gold bullion can be sold. As all gold bullion produced in Canada may be sold to the Royal Canadian Mint at a set price, there is no competition among Canadian producers for the sale of bullion. Only producers selling gold to the Royal Canadian Mint are eligible for assistance under the Emergency Gold Mining Assistance Act.

Taxes on Mining Operations

Apart from income taxes collected by the Canadian government on profits derived from operations, the Mining Tax Act of British Columbia levies a tax on net income derived from mining in the province at the rate of 15% of such net income above $10,000. In this connection net income for tax purposes is determined under prevailing legislation which permits certain allowances for depreciation and for processing, etc. To a large extent, provincial mining taxes paid are allowed as an expense in determining the taxable income of a company for federal and provincial income tax purposes.

Particulars of the current status of income taxes for Bralorne and its subsidiaries, and the accounting practices with respect to deferred taxation, are summarized in a note to the accompanying financial statements.

Outside Exploration

Bralorne participates in outside exploration activities principally in association with other companies. In this connection most of Bralorne's outside exploration expenses are with respect to the Can-Fer Exploration Syndicate, particulars of which are as set forth under the caption "Syndicate Agreements".

Oil and Gas Operations of Bralorne Subsidiaries

General

Bralorne is the majority shareholder (78.5%) of Bralorne Oil & Gas Limited which company along with its wholly owned subsidiary Bralorne Petroleums Ltd. carries on and intends to carry on the business of exploring for, finding and producing for sale, oil, natural gas and related hydrocarbons. Bralorne began a diversification programme in 1963 by making its first direct entry into the petroleum field. Its initial venture was participation in the drilling of a well in the Drumheller District of Alberta, which, while non-productive, earned Bralorne an interest in potentially productive acreage. Its second venture was the purchase at a cost of $233,000 of the Canadian petroleum and natural gas interests of Alouette Oil Company of Amarillo, Texas. The principal interest acquired by this purchase was approximately ten per cent interest in the West Provost Viking Gas Unit in Alberta which interest was subsequently sold for cash on May 1, 1969 to take effect as of January 1, 1969.

In June 1964, Bralorne purchased all the outstanding shares of Paradise Petroleums Ltd. ("Paradise") of Virden, Manitoba, at a cost of $703,900. Prior to that date, Paradise was primarily engaged in the drilling of oil wells in the immediate vicinity of the Virden-Roselea and West Routledge fields located in southwestern Manitoba and held working interests in 30 oil wells in that area. Paradise did not carry a large acreage inventory and primarily acquired farmouts on small tracts of acreage immediately adjacent to and in the general vicinity of the aforementioned oil fields. A programme of unitization and water flooding which encompassed 9 of the wells in the Virden area was begun in 1965 which to date has increased its estimated recoverable reserves by some 500,000 barrels. In 1966 the name of Paradise Petroleums Ltd. was changed to Bralorne Petroleums Ltd.

In 1965 and 1966 Bralorne purchased for $542,223 all 211,559 outstanding shares of Stockton Oil & Gas Co. Ltd. which company held an 18.08% interest in the Wayne-Rosedale Glauconitic Gas Unit No. 1 in the Drumheller Area of Alberta. In 1966 that company's name was changed to Bralorne Oil & Gas Limited.

In 1967 the oil and gas assets of Bralorne, the shares of Bralorne Petroleums Ltd. and the shares of Bralorne Oil & Gas Limited, and certain advances which had been made to these subsidiaries by Bralorne, were acquired by another subsidiary of Bralorne, Bralorne Pioneer Petroleums Limited in consideration for the issuance of 1,999,995 of that company's shares of no par value. Bralorne Pioneer Petroleums Limited was then amalgamated with Bralorne Oil & Gas Limited and the emerging company carries on business under that name — Bralorne Oil & Gas Limited. Bralorne Petroleums Ltd. is a wholly-owned subsidiary of Bralorne Oil & Gas Limited. Subsequently in August 1967 Bralorne Oil & Gas Limited made a public offering of 500,000 shares and at the same time Bralorne sold 100,000 of the shares it held in Bralorne Oil & Gas Limited.

Exploration

Bralorne Oil & Gas Limited and Bralorne Petroleums Ltd. ("the Oil Companies") are active in oil, gas

and mineral exploration throughout Canada. Mineral exploration is carried on through the former's ⅛ participation in the Can-Fer Exploration Syndicate which is described under the caption "Syndicate Agreements". Oil and gas exploration is carried on in association with other companies. Currently the principal areas being explored are the Hudson Bay Area and the Manson Area.

Hudson Bay

The Oil Companies maintain a 10 percent working interest in the Sogepet Group which holds exploratory permits comprising approximately 10,253,961 acres, located in Manitoba, Ontario and offshore in Hudson Bay. The Sogepet Group is composed of a number of companies and is operated by Aquitaine Company of Canada Ltd. The initial well drilled by the Sogepet Group in the Hudson Bay Area was abandoned in 1967. Scattered showings of residual oil were encountered in cores over approximately 1,300 feet, mainly in the Silurian section, and several porous reef sections were intersected.

In 1968 an extensive onshore and offshore seismic programme was conducted by the Sogepet Group, which is presently analysing the results thereof, and a geological study of the Paleozoic outcrops around Hudson and James Bays was undertaken. Outcroppings of Silurian reefs were noted of up to 200 feet in thickness.

In the latter part of 1968 an extensive land play developed in the Hudson Bay Area and practically all potential acreage was taken up by exploratory permits.

To the end of 1968, the Oil Companies' contributions to the Sogepet Group have amounted to $166,387.

Manson Area — Manitoba

The Oil Companies hold a block of approximately 46,969 gross acres of petroleum and natural gas rights located in southwestern Manitoba on which two exploratory wells have been drilled with negative results.

Drilling Activity 1964 - 1968

	1964	1965	1966	1967	1968
Gross Wells Drilled	28	11	22	17	26
Net Oil Wells Completed	15.00	2.75	2.50	.77	2.20
Net Gas Wells Completed	1.22	—	—	.09	.31
Net Dry Wells Drilled	3.00	2.50	4.56	4.42	2.48
Expenditures	$ 461,856	$ 150,336	$ 185,098	$ 97,946	$ 137,320

In addition, the Oil Companies were responsible for the drilling of six wells in 1967 in which a gross overriding royalty was retained. Of these six wells one was completed as an oil well and two were classified as shut-in gas wells.

Summary of Producing Wells

The Oil Companies have interests as of December 31, 1968 in the following units:

		Unit	Tract participation %
ALBERTA			
	Oil Units	Joffre Viking Sand Unit	1.47298
	Gas Units	West Provost Viking Gas Unit *	9.66693
		Wayne-Rosedale Glauconitic Unit No. 1	18.0879
		Ghost Pine Unit	0.71626
SASKATCHEWAN			
	Oil Units	Gleneath Unit	0.64592

* Sold for cash on May 1, 1969 to take effect as of January 1, 1969.

MANITOBA

	Unit	Tract participation %
Oil Units	Virden Roselea Unit No. 1	0.94070
	Virden Roselea Unit No. 2	11.95841
	Virden Roselea Unit No. 3	1.15535

In addition, the Oil Companies have interests in the following non-unitized wells:

Name of field	Type of ownership interest	Oil wells	Gas wells	Company's interest net oil wells or gas wells
ALBERTA				
Coutts	Leasehold	1	1	0.94
Hamilton Lake	Leasehold	1	—	0.15
Milk River	Leasehold	3	—	0.75
Grand Forks	Leasehold	2	—	0.37
MANITOBA				
Ebor	Leasehold	4	—	2.00
Virden	Leasehold	13	—	11.50
Virden-Roselea (non-unit)	Leasehold	2	—	2.00
West Routledge	Leasehold	21	—	21.00
TOTAL:		47	1	38.71

Summary of Properties

The following is a summary of the Oil Companies' properties:

Area	Type of ownership interest	Gross acres	Net acres
ALBERTA			
Drumheller	Leasehold	799	103
Innisfree	Leasehold	2,400	2,400
Long Coulee	Leasehold	160	160
Milk River**	Leasehold	5,200	915
Hays**	Leasehold	3,040	500
West Provost**	Leasehold	2,960	468
		14,559	4,546
Units			
Ghost Pine**	Leasehold	132,480	949
Joffre**	Leasehold	12,260	181
Wayne-Rosedale**	Leasehold	12,800	2,315
West Provost***	Leasehold	53,120	5,135
		210,660	8,580
		225,219	13,126

Area	Type of ownership interest	Gross acres	Net acres
SASKATCHEWAN			
Arcola	Leasehold	160	40
Fosterton	Leasehold	2,120	820
Maryfield	Leasehold	720	720
Rapdan	Leasehold	1,120	280
South Fosterton**	Leasehold & Royalty	1,179	859
Viscount	Permit†	16,701	4,175
West Ogema	Permit†	5,120	640
		27,120	7,534
Units			
Gleneath**	Leasehold	6,120	79
		6,120	79
		33,240	7,613
MANITOBA			
Daly	Leasehold	2,569	2,103
Ebor**	Leasehold	2,363	1,774
East Manson	Leasehold	640	640
Manson	Leasehold	24,799	21,518
	Permit†	22,160	16,960
North Virden	Leasehold	1,280	640
Routledge**	Leasehold	1,674	1,674
Sinclair	Leasehold	320	320
Souris-Hartney	Leasehold	1,280	1,280
Virden**	Leasehold	4,675	3,713
		61,760	50,622
Units			
Virden-Roselea #1**	Leasehold	3,640	34
Virden-Roselea #2**	Leasehold	1,480	177
Virden-Roselea #3**	Leasehold	4,320	50
		9,440	261
		71,200	50,883
HUDSON BAY			
Hudson Bay			
	Permit†	10,253,961	1,025,396
		10,253,961	1,025,396
	GRAND TOTAL:	10,583,620	1,097,018

†Approximately 50% of the area of each permit may be converted to lease.

*Sold for cash on May 1, 1969 to take effect as of January 1, 1969.

The areas marked ** contain the following producing properties:

Area	Type of ownership interest	Gross acres	Net acres
ALBERTA			
Milk River	Leasehold	1,040	95
Hays	Leasehold	320	120
West Provost	Leasehold	80	12
Ghost Pine Unit	Leasehold	132,480	949
Joffre Unit	Leasehold	12,260	181
Wayne-Rosedale	Leasehold	12,800	2,315
West Provost Unit*	Leasehold	53,120	5,135
SASKATCHEWAN			
Gleneath Unit	Leasehold	6,120	79
MANITOBA			
Ebor	Leasehold	320	160
Routledge	Leasehold	840	840
Virden	Leasehold	600	500
Virden-Roselea Unit #1	Leasehold	3,640	34
Virden-Roselea Unit #2	Leasehold	1,480	177
Virden-Roselea Unit #3	Leasehold	4,320	50
	Total Producing	229,420	10,647

In addition, the Oil Companies have a royalty interest in 1,080 gross acres of proven gas reserves in the South Fosterton Area of Saskatchewan.

*Sold for cash on May 1, 1969 to take effect as of January 1, 1969.

ESTIMATED CRUDE OIL AND NATURAL GAS RESERVES OF THE OIL COMPANIES AS AT DECEMBER 31, 1968

	Proven and Proven Developed
Estimated Future Net Oil Reserves, Barrels (1)	803,700
Estimated Future Net Gas Reserves, Mcf (2) & (3)	18,608,000

(1) Expressed in barrels equivalent to 35 Imperial gallons or 42 U.S. gallons.

(2) Expressed in thousands of cubic feet, utilizing a base pressure of 14.41 p.s.i. or as contracted.

(3) 5,889,960 Mcf of gas reserves were sold for cash on May 1, 1969 to take effect as of January 1, 1969.

The aforementioned reserves as at December 31, 1968 were calculated by Mr. D. L. Carruthers (B.Sc. Honours Geology, McMaster University), Chief Petroleum Geologist of the Oil Companies at that date, using accepted reservoir engineering practice.

Production

The following table summarizes the net crude oil, liquid products and natural gas production of the properties of the Oil Companies.

OIL & LIQUID PRODUCTS	(Barrels)				
Area	1964	1965	1966	1967	1968
MANITOBA					
Virden-Roselea	30,093	42,944	32,553	29,182	32,872
Virden-Roselea Units	15,570	19,443	18,338	23,942	32,883
West Routledge	133,043	137,845	129,763	107,123	93,609
Other Areas	351	14,882	6,798	2,828	1,876
	179,057	215,114	187,452	163,075	161.240
SASKATCHWAN					
Hastings	—	399	1,363	1,124	154
Dodsland	8,388	7,115	4,968	3,983	2,134
	8,388	7,514	6,331	5,107	2,288
ALBERTA					
Hamilton Lake	385	412	362	374	395
Grand Forks	—	—	—	—	1,008
Joffre	2,937	2,093	1,201	1,316	1,066
Milk River	—	—	1,060	3,254	4,651
Gartley	—	—	—	—	982
Wayne Rosedale	—	—	—	—	883
West Provost*	—	—	—	—	815
	3,322	2,505	2,623	4,944	9,800
TOTAL OIL & PRODUCTS (Barrels)	190,767	225,133	196,406	173,126	173,328

GAS	(Mcf)				
ALBERTA	1964	1965	1966	1967	1968
Gartley	—	—	—	16,860	121,145
Wayne-Rosedale	152,421	421,777	365,475	449,375	379,155
West Provost *	229,594	213,397	247,929	249,789	206,912
TOTAL GAS (Mcf)	382,015	635,174	613,404	716,024	707,212

NOTE: Net Production (Barrels or Mcf) is that production remaining after deducting applicable royalties.

*Sold for cash on May 1, 1969 to take effect as of January 1, 1969.

Marketing

The Oil Companies sell their crude oil and condensate under arrangements with various companies at field prices posted by the principal purchasers in the area in which the properties are located. These posted

prices fluctuate from time to time and are affected by market conditions, competition among producers and provincial regulations of allowable production. The price received for oil and condensate during the twelve months ended December 31, 1968 varied from a high of $2.64 to a low of $1.60 per barrel depending upon the areas of production and the grade of oil. The weighted average price received for oil and condensate during such period was $2.29 per barrel. The current prices for the respective areas and grades of oil and condensate have not changed significantly since the year ended December 31, 1968.

The Oil Companies' gas is sold to distributors under long-term sales contracts at prices ranging from 13½¢ to 14¼¢ per Mcf, with the weighted average being approximately 14¢.

The Province of Alberta presently has regulations in effect governing the prorationing of oil production; however, due to the fact that only a small percentage of the Oil Companies' oil production comes from Alberta the effect of these regulations on the Oil Companies is negligible.

PRINCIPAL SHAREHOLDERS AND MANAGEMENT OF BRALORNE

As at May 29, 1969 the Company ("Can-Fer") beneficially owned 250,000 common shares of Bralorne which shareholding represented 15.5% of the total issued shares of Bralorne at that date. To the knowledge of the management of the Company and Bralorne no other person or company owns beneficially directly or indirectly greater than 10% of the shares of Bralorne. As a group the present directors and officers of Bralorne beneficially own 64,103 shares which amount represents 4% of the issued common shares of Bralorne.

MANAGEMENT OF BRALORNE AFTER CONSUMMATION

It is anticipated that as a result of the consummation of the Agreement the members of the Company's Board of Directors who are not presently members of the Bralorne Board of Directors will be appointed thereto so that the Board of Bralorne, which will be known after its change of name as Bralorne Can-Fer Resources Limited, will be constituted as follows:

Name of Director	Principal occupation during the past 5 years	Date first became a director of Bralorne (1)	No. of common shares of Bralorne which will be beneficially owned, directly or indirectly as of date of consummation (3)
Douglas A. Berlis, Q.C.	Partner, Edison, Aird & Berlis, Barristers and Solicitors	October 5, 1966	2,200
Leonard W. Bughman	President, Bughman Sales Company, Manufacturers Representative in Coke and Tetraethyl Lead Sales and Consultant to Gulf Oil Corporation and Debevoise Anderson Co.	(2)	40,000
C. A. Burns	President, C. A. Burns Consulting Ltd., Consulting Geologists since September 1967 and prior thereto a Partner, Ringsleben & Burns, Consulting Geologists.	January 29, 1968	60,100 (4)

Name of Director	Principal occupation during the past 5 years	Date first became a director of Bralorne (1)	No. of common shares of Bralorne which will be beneficially owned, directly or indirectly as of date of consummation (3)
H. Michael Burns	Executive Vice-President, since November 1966 and prior thereto an employee Burns Bros. & Denton Inc., Investment Dealers	(2)	6,001 (5)
George H. Davenport	President and Chief Executive Officer, Bralorne Pioneer Mines Limited	March 24, 1955	32,752
Pemberton Hutchinson	Vice-President since March 1968 and prior thereto since January 1965 Assistant to the President Penn Virginia Corporation, and prior thereto Assistant General Manager of General Coal Company	(2)	101
John L. Kemmerer, Jr.	President since December 1964 and prior thereto Vice-President Whitney & Kemmerer Inc., Coal & Coke Sales Agents.	May 8, 1968	276,475 (6)
Edward B. Leisenring, Jr.	President, Penn Virginia Corporation, Coal Land Lessors	(2)	501 (7)
William A. McElmoyle	Physician and Surgeon	April 24, 1958	23,100 (8)
Paul Porzelt	Limited Partner, Emanuel, Deetjen & Co., Members New York Stock Exchange	January 29, 1968	250,711 (9)
Peter A. Revell-Smith	Chairman, Sterling & Overseas Investments Limited, Investment Trust	April 24, 1967	1,251
Malcolm D. Richardson	President, Richardson, de Pencier Limited, Insurance Brokers	(2)	5,000

NOTES:

(1) Each proposed nominee who is stated to have first become a director on a specified date has served continuously as a director from the date indicated.

(2) Presently a director of the Company to be appointed a director of Bralorne on consummation of the Agreement.

(3) Calculated on the basis that each share of the Company will be surrendered for one share of Bralorne and that there will be no additions to or subtractions from shareholdings between the date hereof and the consummation of the Agreement. The following notes (4) to (9) inclusive reflect this basis.

(4) Includes 1,000 shares beneficially owned by Mr. C. A. Burns' wife.

(5) Includes 5,000 shares owned by Kingfield Investments Limited, of which Mr. H. Michael Burns owns one-third of the outstanding capital stock.

(6) Includes 17,500 shares beneficially owned by Mr. Kemmerer's wife and 237,000 shares beneficially owned in equal amounts by his three children or trusts for their benefit; does not include 210,000 shares beneficially owned by Old Dominion Development Company, a corporation of which Mr. Kemmerer is an officer, director and stockholder. The aggregate amount owned by Mr. Kemmerer and his "associates" (as defined in the regulations of the Securities and Exchange Commission) will be 486,475 shares or approximately 10.03% of the then outstanding capital stock of Bralorne.

(7) Mr. Leisenring is the President and a director of Penn Virginia Corporation, the beneficial owner of 600,000 shares of the Company. The aggregate amount beneficially owned by Mr. Leisenring and his "associates" (as defined in the regulations of the Securities and Exchange Commission) will be 600,501 shares or approximately 12.38% of the then outstanding capital stock of Bralorne.

(8) Includes 3,000 shares beneficially owned by Dr. McElmoyle's wife.

(9) Includes 7,500 shares beneficially owned by Mr. Porzelt's wife.

The term of office of each of the aforementioned directors will expire at the next annual meeting in 1970 of the combined company — Bralorne Can-Fer Resources Limited, or at the time their successors are duly elected or appointed pursuant to that company's articles of association.

It is contemplated that at a director's meeting following the consummation of the Agreement the following persons will be appointed principal executive officers of Bralorne, which after its change of name will be known as Bralorne Can-Fer Resources Limited.

Name	Office
Paul Porzelt	Chairman of the Board
George H. Davenport	President
C. A. Burns	Executive Vice-President
Douglas A. Berlis, Q.C.	Vice-President
James S. Thomson	Vice-President
Peter G. Wiseman	Secretary
Thomas F. Griffin, C.A.	Treasurer

BRALORNE REMUNERATION AND RELATED MATTERS

During the fiscal year ended December 31, 1968 no director or officer of Bralorne received direct remuneration for services of $30,000 or more. The aggregate direct remuneration paid or payable by Bralorne to its directors and "senior officers" (as such term is defined in The Companies Act of British Columbia) as a group (11 persons, including 1 person who was a "senior officer" as so defined but who was not an officer or director of Bralorne) was $102,450.

The estimated aggregate cost to Bralorne for the fiscal year ended December 31, 1968 of all pension benefits proposed to be paid directly or indirectly under its staff pension plan in the event of retirement at normal retirement age (65), to directors and senior officers was $2,223 and the estimated annual benefit for these officers and directors as a group upon retirement is $26,597.

ACCOUNTING TREATMENT BY BRALORNE

The proposed acquisition of the assets of the Company is considered to be a pooling of interests for accounting purposes, and accordingly under generally accepted accounting principles applicable in such circumstances, Bralorne intends to carry forward the assets, liabilities, capital shares and surplus, adjusted as described in the notes to the Pro Forma Combined Balance Sheet forming part of this Proxy Statement and Information Circular.

RIGHTS OF DISSENTING SHAREHOLDERS

Pursuant to the provisions of The Corporations Act, Ontario, the Act under which the Company was incorporated, there are no dissenters' rights for shareholders who do not vote for the transaction in the event an affirmative vote is taken with respect to proposals (i) and (ii) on page 4 of this Proxy Statement and Information Circular.

FINANCIAL STATEMENTS

This Proxy Statement and Information Circular includes the financial statements on pages 34 to 42 hereof.

APPOINTMENT OF AUDITORS

The firm of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, or one of its predecessor firms Gunn, Roberts & Co., first audited the accounts of the Company in 1963 and has regularly audited and has been regularly appointed to the office of auditor of the Company by the shareholders in each ensuing year. The Management of the Company is informed that no member of this firm has any interest, financial or otherwise, direct or indirect, in the Company.

UNLESS OTHERWISE INSTRUCTED, PROXIES WHICH ARE RECEIVED PURSUANT TO THIS SOLICITATION WILL BE VOTED FOR THE APPOINTMENT OF THORNE, GUNN, HELLIWELL & CHRISTENSON AS AUDITORS OF THE COMPANY.

SOLICITATION OF PROXIES

The Company will bear the cost of preparing, assembling and mailing the Notices of Annual and General Meeting of Shareholders, Proxy Statements and Information Circulars and Forms of Proxy for the Annual and General Meeting of Shareholders.

It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the meeting, the shares represented by the enclosed form of proxy will be voted by the management designee upon such other matters in accordance with his best judgment.

EACH SHAREHOLDER HAS THE RIGHT TO DESIGNATE AS HIS PROXY A PERSON OTHER THAN MESSRS. PORZELT, BURNS AND BERLIS, THE MANAGEMENT DESIGNEES, TO ATTEND AND ACT FOR SUCH SHAREHOLDER AT THE ANNUAL AND GENERAL MEETING OF SHAREHOLDERS. ANY SHAREHOLDER DESIRING TO EXERCISE SUCH RIGHT MAY DO SO BY STRIKING OUT THE NAMES OF THE MANAGEMENT DESIGNEES IN THE ENCLOSED FORM OF PROXY AND INSERTING IN THE SPACE PROVIDED THE NAME OF THE PERSON WHOM SUCH SHAREHOLDER DESIRES TO APPOINT AS HIS PROXY, OR MAY DO SO BY EXECUTING A PROXY IN FORM SIMILAR TO THE ENCLOSED FORM.

MISCELLANEOUS

Insofar as the information contained in this Proxy Statement and Information Circular relates to Bralorne and its subsidiary companies, it has been furnished to the Company by Bralorne.

OTHER BUSINESS

The management knows of no other business which is likely to be brought before the Meeting. If other matters not now known come before the Meeting, the management designees, if named as proxy, will vote in accordance with their judgment on said matters.

By Order of the Board of Directors,

D. A. BERLIS, Q.C.,
Secretary.

Toronto, Canada,
June 2, 1969.

FINANCIAL STATEMENTS ATTACHED

CAN-FER MINES LIMITED

BALANCE SHEET — DECEMBER 31, 1968

ASSETS

Current Assets		
Cash	$ 22,980	
Bank deposit receipts	700,000	
Short term note at cost which approximates market value	155,000	
Accounts and accrued interest receivable	42,095	
Accrued royalty receivable	83,333	
Marketable securities at cost (quoted market value $2,000)	2,280	$1,005,688
Shares in Bralorne Pioneer Mines Limited at cost (note 5) (quoted market value $625,000)		568,890
Interest in Mining Syndicates, at cost		140,036
Fixed Assets		
Equipment at cost	20,821	
Less accumulated depreciation	13,075	7,746
Mining Properties (note 1)		
Mining properties, at cost, leased under long-term agreement to The Algoma Steel Corporation, Limited		203,255
		$1,925,615

LIABILITIES

Current Liabilities		
Accounts payable	$ 14,680	
Sundry accrued liabilities	1,115	$ 15,795
Capital Shares and Surplus		
Capital stock (note 4)		
Authorized — 6,000,000 shares without par value		
Issued — 3,478,260 shares	1,488,528	
Surplus	421,292	1,909,820
		$1,925,615

The accompanying notes are an integral part of this statement.

CAN-FER MINES LIMITED

STATEMENT OF SURPLUS

	Year ended December 31 1965	1966	1967	1968
Surplus (deficit) at beginning of year	($ 28,566)	$ 84,152	$ 240,704	$ 221,457
Add net income for the year	310,591	156,552	83,781	199,835
	282,025	240,704	324,485	421,292
DEDUCT				
Dividend — 3¢ per share	103,028		103,028	
Commission on capital shares	66,000			
Incorporation and stock registration	28,845			
	197,873		103,028	
Surplus at end of year	$ 84,152	$ 240,704	$ 221,457	$ 421,292

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 1968

1. MINING PROPERTIES

Under the terms of an agreement dated March 25, 1965 the Company granted an option to The Algoma Steel Corporation, Limited, to lease the company's mining properties. The sum of $1,340,000 has been received by the Company upon the exercise of this option and the Company has leased its mining properties to The Algoma Steel Corporation, Limited under a 99 year lease computed from August 1, 1965. The agreement provides, among other terms, for the following:

(a) An advance annual royalty or rental of $200,000 for a maximum period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement, by the lessor, of incurring expenditures to bring the properties into commercial production, no royalty or rent shall be payable for the lesser of (1) four years or (2) the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as calculated in (b) below.

(b) Commencing with the first commercial shipment of iron ore pellets from open cut mining operations, the Company shall receive royalties based on tonnages shipped as follows:

40¢ per gross ton shipped during the first year;
50¢ per gross ton shipped during the second year;
60¢ per gross ton shipped during the third year; and
65¢ per gross ton shipped thereafter.

On iron ore pellets produced and shipped from ore mined by underground mining operations the royalty is 30¢ per gross ton of such pellets.

The annual royalty on iron ore pellets shall not be less than \$350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

(c) The tonnage royalty described in (b) above will increase pro rata if the percentage of iron natural content of the pellets increases above 66%, and will increase or decrease pro rata if the published Lower Lake price of iron natural content of Lake Superior pellets increases or decreases from the published price at March 25, 1965.

2. CHANGE IN ACCOUNTING PRACTICE

In 1965 when the Company leased its property to Algoma (note 1), the initial payment of \$1,340,000 was credited to surplus. Exploration and administrative expenditures made by the Company on the property to August 1, 1965, the date from which the lease commenced, totalling \$1,120,124, were deferred and have been reduced by charges in the statement of income in 1965 and subsequent years to the extent that revenue exceeded expenses in each of the years.

In 1968 the Company changed its basis of accounting so as to reflect that the initial payment was treated as income for the year received and that the exploration and administrative expenditures incurred on the property to August 1, 1965 were considered as a charge in 1965.

The figures for 1965, 1966 and 1967 have been prepared so as to reflect this change in accounting practice and to be comparable with 1968.

3. DEPRECIATION AND DEPLETION

Depreciation on exploration and office equipment has been calculated at annual rates of 33⅓% and 10% respectively of the cost of the depreciable assets at the year-end.

Accumulated depreciation is adjusted when the relative assets are retired or sold by deleting therefrom the excess of the cost of the assets over the proceeds on disposal.

No provision has been made for depletion of mining properties since no ore has yet been produced from the Company's properties.

4. OPTION ON CAPITAL STOCK

Under an agreement with an officer of the company an option was granted to him in 1968 to purchase 50,000 shares of the Company's capital stock at \$1.25 per share or a total value of \$62,500. The option is exercisable up to December 31, 1972 or until the later expiry of any renewal of the agreement. At the time the option was granted the shares would realize a price of approximately \$1.14 per share indicating a fair market value of \$57,000. The Company intends to credit common capital stock account with the option payments.

During 1968 options on shares of the Company's capital stock were exercised as follows:—

Date option exercised	No. of shares	Option price per share	Total option price	Fair value per share	Total fair value
June 10	30,000	\$ 1.25	\$ 37,500	\$ 1.32	\$ 39,600
December 27	14,000	1.25	17,500	3.12	43,680
	44,000		\$ 55,000		\$ 83,280

There were options outstanding on 6,000 shares at December 31, 1968.

5. SHARES IN BRALORNE PIONEER MINES LIMITED

The indicated market value does not necessarily represent the amount that would be realized if the shares were to be sold.

6. Income Taxes

No provision for income taxes is required since the Company is able to claim for income tax purposes amounts which have already been written off in the accounts. At December 31, 1968 the Company has available as a deduction against future income for tax purposes $589,366 which has been charged in the accounts but not yet claimed for tax purposes.

	Exploration and depreciation		Expenditure written off in the accounts in excess of amounts claimed for tax purposes
Year	Written off in the accounts	Claimed for tax purposes	
1965	$1,129,235	$ 99,826	$1,029,409
1966	65,944	222,471	872,882
1967	130,486	214,167	789,201
1968	20,487	220,322	589,366

OPINION OF INDEPENDENT ACCOUNTANTS

To the Directors of
Can-Fer Mines Limited

We have examined the balance sheet of Can-Fer Mines Limited as at December 31, 1968 and the related statements of income and surplus for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1968 and the results of its operations for the four year period then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving effect to the change in accounting practice as set out in Note 2 to the financial statements, with which change we concur.

Toronto, Canada
February 10, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants.

BRALORNE PIONEER MINES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

Current Assets:	
Cash and time deposits	$1,016,898
Bullion, at net realizable value	132,007
Marketable securities, at cost less amounts written off (market value — $59,388)	57,860
Receivable under The Emergency Gold Mining Assistance Act	242,720
Accounts receivable, less allowance of $3,348 for doubtful accounts	519,357
Inventories of stores and supplies, at average cost less allowance for obsolescence, not in excess of replacement cost	123,940
Refundable deposits and prepaid items	24,724
Total current assets	2,117,506
Investments and Other Assets:	
Life insurance policy, at cash surrender value	55,912
Long term receivable in respect of sale of subsidiary (Note 1)	1,575,000
Shares in other companies and interests in other properties, at nominal value (Note 2)	1
Deferred receivables and unamortized expenditures	48,564
	1,679,477
Capital Assets (Note 3):	
Mining properties, development and exploration, at cost less accumulated depletion of $4,141,874	292,983
Buildings, plant and equipment, at cost less accumulated depreciation of $3,720,854	576,417
Petroleum and natural gas interests and production facilities, at cost less accumulated depletion and depreciation of $1,299,071	2,093,090
	2,962,490
	$6,759,473

LIABILITIES

Current Liabilities:	
Accounts payable — trade	$ 191,407
Accrued liabilities	40,807
Wages payable	67,287
Deferred income	20,733
Total current liabilities	320,234
Deferred Income Taxes (Note 4)	188,000
Minority Shareholders' Interest in Subsidiaries	305,751
	813,985
Capital and Surplus:	
Share capital (Note 7) —	
Authorized:	
2,000,000 shares of no par value	
Issued:	
1,617,450 shares	4,434,400
Contributed surplus (Note 1)	158,906
Earned surplus — per statement attached	1,352,182
	5,945,488
	$6,759,473

See notes to financial statements

BRALORNE PIONEER MINES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS
For the Three Years Ended December 31, 1968

	1966	1967	1968
Balance — beginning of year	$1,833,339	$1,206,012	$1,103,115
Income (loss) for the year	(546,454)	(102,897)	249,067
	1,286,885	1,103,115	1,352,182
Dividends — $.05 per share in 1966	80,873		
Balance — end of year (Note 8)	$1,206,012	$1,103,115	$1,352,182

See notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 1968

Note 1 — Principles of consolidation and related matters:

The consolidated financial statements comprise the assets and liabilities and income and expenses of Bralorne (incorporated in the Province of British Columbia) and all its subsidiaries except as noted in the following paragraph. The assets are presented on the basis of cost to the Bralorne group acquired directly or through ownership of shares of the subsidiary companies. The consolidated statement of income of the group, also except as noted, includes on a consolidated basis the results of operations of subsidiaries from their dates of acquisition to December 31, 1968. All inter-company balances and transactions have been eliminated and appropriate recognition has been given to minority interests.

Concrete Technology (B.C.) Limited was incorporated during 1964 and carried on operations as a subsidiary of Bralorne Pioneer Mines Limited until July 31, 1968 at which time Bralorne's interest in the subsidiary was sold. The operations of the subsidiary have not been consolidated with those of Bralorne but full provisions for Bralorne's share of the subsidiary's losses have been charged to income in the year in which the losses were incurred.

Under the agreement for the sale of Bralorne's interest in Concrete Technology (B.C.) Limited, a ten-year 7% instalment debenture of that company (now renamed Con-Force Pacific Ltd.) was received on account of previous advances. The equal annual debenture instalments are due in November each year to 1978, the non-current portion being shown separately in the accompanying balance sheet. The final consideration has yet to be determined under the agreement but, in the opinion of Bralorne, it should not differ materially from the amount recorded in the attached financial statements.

Following a corporate reorganization of the oil and gas interests of the Bralorne group during 1967, a portion of Bralorne's investment therein was sold to the public in conjunction with an issue of shares of the subsidiary controlling those interests. During 1968 Bralorne acquired 336,295 of those shares, 195,000 of which have been sold in 1969 to some of its directors and others associated with them at their acquisition price of 80¢ per share. In addition, 100,000 shares of that company have been issued in 1969 to an officer

of the company at the same price. Adjustments of $113,229 in 1967 and $45,677 in 1968 arising from the transactions in those years comprise contributed surplus at December 31, 1968, which, it is expected, will be reduced by the completion of the transactions in 1969.

Bralorne's equity in the net assets of its subsidiaries as shown by their books exceeds the investments in these subsidiaries, at cost, as shown by Bralorne's books, by $402,368 at December 31, 1968. This excess has been applied in the consolidated financial statements as follows:—

Credited to earned surplus	$ 106,313
Credited to contributed surplus	158,906
Credited to petroleum and natural gas interests	137,149
	$ 402,368

Note 2 — Shares in other companies and investments in other properties:

Bralorne participates periodically in the exploration for, and development of, other mining ventures. Monies disbursed in connection with these ventures are charged against income as incurred. Certain shares included at nominal value at December 31, 1968 were sold in 1969 for $147,000.

Note 3 — Capital assets, depletion and depreciation:

Prior to 1968 it had been Bralorne's practice to make no provision in the accounts for depletion of mining properties but to write off each year the expenditures incurred on mine shafts. Mining buildings, plant and equipment had been depreciated on a reasonably consistent basis each year, having regard to the estimated useful life of the assets.

In 1968 Bralorne revised its practices with respect to mine depletion and depreciation as follows:—

(a) Capital expenditures from January 1, 1964 with respect to mining properties, which previously had been written off, have now been capitalized. Depletion has been charged from that date on a unit of production basis, having regard to Bralorne's proven ore reserves at December 31, 1968 and its production over the five-year period then ended.

(b) Depreciation expense has been calculated on a straight-line basis from January 1, 1964 at rates determined from estimated ore reserves and estimated recoverable salvage value of buildings, plant and equipment.

The accompanying financial statements have been restated to reflect the current basis.

Petroleum and natural gas interests are accounted for on the full-cost method of accounting whereby all costs relating to the exploration for, and development of, oil and gas reserves are capitalized, whether productive or unproductive, and proceeds on disposal of properties are deducted from costs without recognition of profit or loss. Depletion of oil and gas properties and depreciation of production equipment are computed on totals of all such costs by the unit of production method based on overall estimates of proven reserves.

The costs of maintenance, repairs and minor renewals or replacements have been charged against income as incurred. The costs of major replacements, extensions or betterments have been added to capital assets. Gains or losses on abandonments or disposals of capital assets have been carried forward in accumulated depreciation or depletion accounts.

Note 4 — Deferred income taxes:

Except as noted below for petroleum and natural gas interests, in 1968 Bralorne adopted retroactively the tax allocation basis of accounting for income taxes recommended by The Canadian Institute of Chartered Accountants. This basis relates the provision for income taxes to the accounting income for the period.

In the case of petroleum and natural gas interests, Bralorne, in common with many other companies in the Canadian oil and gas industry and accounting authorities outside Canada, does not consider tax

allocation appropriate with respect to drilling, exploration and other similar expenses. If full tax allocation had been followed, net income would have been increased or (decreased) as follows:—

1964	—	($ 20,620)
1965	—	(52,299)
1966	—	(17,688)
1967	—	3,536
1968	—	5,677

and earned surplus as at December 31, 1968 would have been reduced by $81,394.

Note 5 — Pension plans:

Bralorne has an active pension plan for salaried employees who may become participating members after a three-month period of continuous service. Employee contributions are based on 5% of earnings (but only 3% while making the required contributions under the Canada Pension Plan). The plan is funded, with Bralorne's contributions being made monthly in amounts determined by periodic actuarial computations. At normal or deferred retirement, employees receive an annual pension equal to 30% of their total required contributions made to the plan. Normal retirement age is 65 for men and women.

The costs of current service benefits for the pension plan for the three years ended December 31, 1968, which have been charged to costs and expenses under gold mining, oil and gas production, and administrative and general expenses in the accompanying consolidated statement of income are as follows:—

1966	—	$ 11,877
1967	—	11,908
1968	—	9,924

Note 6 — Supplementary income information:

The following amounts have been charged as indicated in the accompanying consolidated statement of income:

	Year ended December 31 1966	1967	1968
Depletion of mining properties, development and exploration —			
Charged to gold mining	$ 162,600	$ 149,500	$ 155,700
Depreciation of buildings, plant and equipment —			
Charged to gold mining	$ 101,500	$ 101,500	$ 101,500
Charged to oil and gas production	52,154	48,318	41,741
Depletion of petroleum and natural gas interests —			
Charged to oil and gas production	$ 202,311	$ 186,828	$ 188,385
Taxes other than income taxes:			
Property and mineral claims taxes —			
Charged to gold mining	$ 23,287	$ 24,324	$ 22,716
Charged to oil and gas production	16,409	17,569	18,570
Rents and royalties —			
Charged to oil and gas production	$ 17,143	$ 15,547	$ 14,548
Charged to administrative and general expenses	18,682	21,684	20,467
Charged to petroleum and natural gas interests	30,198	38,801	51,593

The companies' classification of accounts does not provide for a segregation of maintenance and repair expenses.

Note 7 — Subsequent event:

Subject to the approval of shareholders of both companies and other conditions, Bralorne has agreed to acquire substantially all of the undertaking, business and assets of Can-Fer Mines Limited except 250,000 shares which that company now owns of Bralorne Pioneer Mines Limited. The consideration for the purchase is to be:—

(a) 3,234,260 fully paid shares of Bralorne, and

(b) the assumption of substantially all of the liabilities and obligations of Can-Fer Mines Limited by Bralorne.

The authorized capital of Bralorne is to be increased to 7,500,000 shares of no par value in advance of this acquisition.

Note 8 — Changes in accounting principles and practices:

As explained in Notes 1, 3 and 4, Bralorne changed during 1968 certain accounting principles and practices. For comparative purposes the accompanying consolidated statement of earned surplus for 1966 and 1967 and the consolidated statement of income for 1964 through 1967 (included elsewhere in this proxy statement and information circular) have been restated to conform to such changes, which are summarized as follows:—

Consolidated Income for the Year Ended December 31

	1964	1965	1966	1967
Income (loss) as previously reported	$ 967,667	$ 277,784	($ 512,434)	$ 94,942
Net adjustments in respect of depreciation, depletion, deferred income taxes, etc.	355,486	(37,707)	(34,020)	(197,839)
Income (loss) as restated	$1,323,153	$ 240,077	($ 546,454)	($ 102,897)

Consolidated Earned Surplus as at December 31

	1966	1967
Balance previously reported	$1,071,678	$1,242,065
Net adjustments in income, cumulative changes in earned surplus to December 31, 1965, etc.	134,334	(318,950)
Balance as restated	$1,206,012	$1,103.115

OPINION OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
Bralorne Pioneer Mines Limited:

We have examined the consolidated balance sheet of Bralorne Pioneer Mines Limited and subsidiary companies as at December 31, 1968 and the related consolidated statements of income and earned surplus. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after the restatement (with which we concur) of the financial statements for the years 1964 through 1967 as explained in Note 8.

Vancouver, B.C.
April 30, 1969.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

EXHIBIT 1

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT is made in duplicate this 30th day of April, 1969.

BETWEEN:

BRALORNE PIONEER MINES LIMITED, a company incorporated under the laws of the Province of British Columbia and having its Head Office in the City of Vancouver, in the said Province,
(hereinafter called "Bralorne")

OF THE FIRST PART;

— and —

CAN-FER MINES LIMITED, a company incorporated under the laws of the Province of Ontario, and having its Head Office in the City of Toronto, in the said Province,
(hereinafter called "Can-Fer")

OF THE SECOND PART.

WITNESSETH that in consideration of the covenants and agreements hereinafter set forth, the parties hereto covenant and agree as follows:

1. SALE BY CAN-FER TO BRALORNE

Upon and subject to the terms and conditions herein set forth, Bralorne agrees to purchase from Can-Fer and Can-Fer agrees to sell to Bralorne all the undertaking, business, property and assets of Can-Fer of whatsoever nature and kind and wheresoever situate as same exist at the time of Closing, save and except 250,000 shares in the capital stock of Bralorne presently owned by Can-Fer and save and except as otherwise provided in paragraph 6(b) hereof with respect to the special account referred to therein.

2. PURCHASE PRICE TO BE RECEIVED BY CAN-FER FROM BRALORNE

The consideration for the said sale shall be:

(a) The allotment and issue by Bralorne to Can-Fer of 3,234,260 fully paid and non-assessable voting shares without par value in the capital of Bralorne; and

(b) The delivery to Can-Fer of a written undertaking of Bralorne to assume and fully discharge and to indemnify and save Can-Fer harmless from all debts, obligations, contracts and liabilities (absolute or contingent) of Can-Fer existing at the time of Closing or arising out of any thing done or omitted to be done by Can-Fer up to the time of Closing.

3. AGREEMENT CONDITIONAL UPON APPROVAL BY SHAREHOLDERS OF BRALORNE AND CAN-FER

This agreement shall be null and void and of no force or effect unless prior to the time of Closing this agreement, and the sale of the undertaking of Can-Fer provided herein as an entirety, shall have been authorized by a special resolution passed by the directors and confirmed by at least two-thirds of the votes cast at a general meeting of the shareholders of Can-Fer duly called for that purpose and unless, prior to the time of Closing, this agreement and the issuance of shares of Bralorne hereinbefore provided for shall have been duly approved by the majority of the votes cast at a general meeting of shareholders of Bralorne duly called for that purpose.

4. OTHER CONDITIONS

(a) The obligation of Can-Fer to complete the sale provided for in Paragraph 1 hereof is subject to the following conditions:

(1) That Can-Fer shall have received a written opinion from the Counsel of Bralorne, Messrs. Douglas, Symes & Brissenden, dated as of the time of Closing, which opinion shall be in form and substance satisfactory to Can-Fer and its Counsel, Messrs. Edison, Aird & Berlis, to the effect that Bralorne is a valid and subsisting company duly incorporated under the laws of the Province of British Columbia, that Bralorne has full corporate power to effect the execution and delivery of this agreement and that the shares of its capital to be tendered at the time of Closing, are

validly allotted and issued as fully paid and non-assessable and that the delivery thereof and its undertaking as provided for in Paragraph 2 hereof has been duly authorized;

(2) That Bralorne at the time of Closing will have an authorized capital consisting of 7,500,000 shares without par value and that at the time of Closing the total number of shares in the capital of Bralorne issued and outstanding will consist of not more than 1,617,450 shares;

(3) That at the time of Closing Bralorne will not be under any obligation, absolute or contingent, to issue any shares of its capital except under Paragraph 2 hereof;

(4) That the audited consolidated balance sheet of Bralorne and its consolidated subsidiaries as at December 31, 1968, as reported upon by Messrs. Price, Waterhouse & Co. (a copy of which has been delivered to Can-Fer) is true and correct and fairly sets forth the financial position of Bralorne and its consolidated subsidiaries as at that date;

(5) That during the period from December 31, 1968 to the time of Closing no happening, event or change materially adversely affecting the business or financial condition of Bralorne or its subsidiaries has or shall have occurred;

(6) That during the period from December 31, 1968 to the time of Closing Bralorne has not and shall not have declared any dividends or authorized any other distribution to its shareholders, payable as of a record date prior to the time of Closing;

(7) That at the time of Closing there will not be any actions, suits or proceedings of which Bralorne is aware pending, threatened or proposed against or affecting Bralorne or any of its subsidiaries which may materially adversely affect Bralorne or any of its subsidiaries;

(8) That between the date hereof and the time of Closing no event shall have occurred which, in the opinion of counsel for Can-Fer, adversely affects the income or excise tax position of Can-Fer or of its shareholders in relation to the transactions provided for herein;

(9) That Can-Fer prior to the time of Closing shall have obtained from the Commissioner of Internal Revenue of the United States of America a written ruling satisfactory to its Counsel that (a) the receipt of shares of the capital stock of Bralorne, pursuant to this Agreement, by shareholders of Can-Fer who are citizens of the United States or who are otherwise subject to United States income tax will not result in income which would be subject to United States income taxes (b) no gain or loss will be recognized to said shareholders of Can-Fer upon receipt by them of shares of the capital stock of Bralorne solely in exchange for their shares of Can-Fer pursuant to the terms of this Agreement, (c) the shares of Bralorne stock so received by the said shareholders of Can-Fer will qualify as a "class of stock" as defined in Section 4920(b) of the United States Internal Revenue Code and the acquisition thereof by said shareholders of Can-Fer will not be subject to the United States Interest Equalization Tax and that said Interest Equalization Tax will not be applicable to any subsequent sale of said stock by said shareholders and (d) the transfer by said shareholders of their shares pursuant to this Agreement shall not be subject to United States excise taxes.

(10) That the Toronto, Vancouver and Montreal Stock Exchanges shall, prior to the time of Closing, have approved the transactions referred to herein.

(b) The obligation of Bralorne to complete the sale provided for in Paragraph 1 hereof is subject to the following conditions:

(1) That Can-Fer at the time of Closing is a valid and subsisting company duly incorporated under the laws of the Province of Ontario;

(2) That the audited balance sheet of Can-Fer as at December 31, 1968, as reported upon by Messrs. Thorne, Gunn, Helliwell & Christenson (a copy of which has been delivered to Bralorne) is true and correct and fairly sets forth the financial position of Can-Fer as at that date;

(3) That Can-Fer has and shall have carried on its business during the period from December 31, 1968 to the time of Closing in the ordinary course and that during said period no event materially adversely affecting the business or financial condition of Can-Fer has or shall have occurred;

(4) That during the period from December 31, 1968 to the time of Closing Can-Fer has not and shall not have declared any dividends or made any other distribution to its shareholders;

(5) That at the time of Closing Can-Fer will have good and marketable title, free of encumbrance, to all the assets agreed to be sold by it under the provisions of this agreement, subject to

(i) easements, rights-of-way and other minor encumbrances which do not materially impair

the use of the assets affected thereby for the purpose for which they are being used; and

(ii) the terms and provisions of leases, licences and agreements to which Can-Fer is a party;

(6) That prior to the time of Closing Can-Fer shall have obtained all requisite consents and approvals to the assignment and transfer to Bralorne of such assets of Can-Fer as are constituted or affected by leases, licences or agreements requiring the consent of another person or persons to such assignment or transfer, and the agreement of such person or persons that the obligations of Can-Fer under the said leases, licences or agreements may be performed or carried out by Bralorne in the place and stead of Can-Fer and the further agreement of such person or persons to perform its or their obligations under the said leases, licences or agreements for Bralorne;

(7) That at the time of Closing there will not be any actions, suits or proceedings of which Can-Fer is aware pending, threatened or proposed against or affecting Can-Fer which may materially adversely affect Can-Fer;

(8) That prior to the time of Closing the shareholders of Can-Fer at a general meeting of shareholders duly called for that purpose shall have passed a resolution or resolutions authorizing the distribution among the shareholders of Can-Fer of the assets of Can-Fer after completion of the sale provided for in Paragraph 1 hereof and authorizing the surrender of the charter of Can-Fer after the making of such distribution;

(9) That prior to the time of Closing, Can-Fer shall have furnished to Bralorne and its Counsel such information as may be necessary to determine what persons may be deemed to be "affiliates" of Can-Fer within the meaning of Rule 133 under The Securities Act of 1933 of the United States of America (the "Act"), and will use its best efforts to obtain from any person who may be deemed to be such an affiliate, undertakings by each that he is acquiring such shares in Bralorne for investment and not with a view to the distribution thereof and that he will not make any disposition of the shares in violation of the registration provisions of the Act, in order to permit Bralorne's United States Counsel, Messrs. Gifford, Woody, Carter & Hays, to render an opinion (and Bralorne shall have received such an opinion) to the effect that the issuance and delivery of the Bralorne shares in the transaction contemplated hereunder will not require registration under the Act.

Each condition set forth in Paragraph 4 is for the exclusive benefit of the party whose obligation is stated in this Paragraph to be subject to that condition and may be waived by that party in whole or in part. If any condition set forth in this Paragraph is not satisfied at or before the time of Closing, or is not waived as above mentioned, then this agreement shall be null and void and of no force or effect and neither party shall be liable to the other.

The parties hereto agree to co-operate with each other so as to facilitate each of them in making such investigations as may be reasonably required to enable each party to satisfy itself as to the satisfaction of the conditions to which its obligations are subject. If the sale herein provided for is not completed, any information as to the affairs of any party obtained by any other party in the course of such investigations shall be treated as confidential.

5. CLOSING

The Closing shall take place at the offices of Messrs. Edison, Aird & Berlis, 111 Richmond Street West, Toronto, Ontario, at 11:00 o'clock in the forenoon, Toronto Time, on a mutually convenient date, being within 30 days after the later of receipt by Can-Fer of the favourable written tax rulings as are referred to in Paragraph 4(a)(9) hereof or shareholder approval by both companies. In the event said tax rulings are not favourable or in the event they are not forthcoming by October 31, 1969, then either party may by written notice terminate this agreement, in which event this agreement shall be null and void and of no force or affect and neither party shall be liable to the other.

At the Closing Can-Fer will deliver to Bralorne such instruments as may be necessary to vest in Bralorne the assets to be sold to it as provided for in Paragraph 1 hereof; concurrently Bralorne will deliver to Can-Fer.

(1) A certificate or certificates for the shares in the capital of Bralorne as provided for in Paragraph 2(a) hereof; and

(2) The written undertaking of Bralorne as provided for in Paragraph 2(b) hereof.

6. **PROVISIONS APPLICABLE SUBJECT TO SALE BEING COMPLETED**

Subject to the sale herein provided for being completed

(a) Can-Fer agrees that as soon as practical after the Closing it will do all acts and things necessary to distribute its assets, namely, shares of Bralorne, among its shareholders and to surrender its charter;

(b) The assumption of liabilities of Can-Fer as provided for in Paragraph 2(b) hereof by Bralorne shall not include any taxes imposed upon Can-Fer by reason of the transfer of its assets and business hereunder; and any liabilities, obligations or expenses of Can-Fer (a) incurred or to be incurred in connection with its obligations hereunder or in connection with the liquidation and dissolution of Can-Fer and surrender of its charter; (b) resulting from any demands for payment by its shareholders under statutory rights, if any; and (c) incurred by it for, or arising out of, actions taken by it after the Closing, shall be the responsibility of Can-Fer. At or prior to the Closing, Can-Fer will establish a special account with a commercial bank in which it will deposit an amount of cash not in excess of $100,000, which shall be withheld from the assets of Can-Fer to be transferred to Bralorne at the time of Closing in trust for the purposes of paying all the liabilities, obligations and expenses of Can-Fer mentioned in the preceding sentence. At such time as it shall be determined that all such expenses have been paid or provided for out of such amount, Can-Fer will promptly transfer the excess, if any, in such account to Bralorne. Any tax imposed upon any shareholder of Can-Fer by reason of distribution of shares of Bralorne shall be the expense of any such shareholder and shall not be borne by Bralorne.

7. **MISCELLANEOUS**

Time shall be of the essence of this agreement.

Any notice or other communication which any party may desire to give to any other party hereunder shall be deemed to have been given forty-eight hours after the same is mailed in Toronto, Ontario or Vancouver, British Columbia, by prepaid registered mail addressed to such other party at its office in Toronto, Ontario or Vancouver, British Columbia, as the case may be.

This agreement supersedes all prior negotiations, arrangements and communications between the parties hereto regarding the subject matter hereof and contains the entire agreement between the parties in respect thereto.

No party hereto may assign its rights hereunder without the written consent of the other.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
in the presence of

BRALORNE PIONEER MINES LIMITED

"G. H. DAVENPORT"

President

CS

"P. G. WISEMAN"

Secretary

CAN-FER MINES LIMITED

"C. A. BURNS"

President

CS

"D. A. BERLIS"

Secretary

EXHIBIT 2

RESOLUTIONS

(a) Resolution Confirming Agreement

The following is a copy of a shareholders' resolution which, if passed by at least ⅔ of the votes cast at the meeting will become a Special Resolution of the Company:

"BE AND IT IS HEREBY RESOLVED that the resolution passed by the directors on the 30th day of April, 1969 reading as follows:

> '1. That the agreement dated the 30th day of April, 1969, between the Company and Bralorne Pioneer Mines Limited whereunder the Company agreed to sell to Bralorne Pioneer Mines Limited all its undertaking, property and assets (save and except for 250,000 shares in the capital stock of Bralorne Pioneer Mines Limited and for sufficient funds to pay the expenses connected with such sale), and as consideration therefor Bralorne agreed to allot and issue to the Company 3,234,260 fully paid and non-assessable shares of its capital stock and to give an undertaking to indemnify and save the Company harmless from all its debts, obligations and liabilities (save and except those relating to expenses connected with this transaction), be and the same is hereby approved and adopted; and
>
> 2. That the directors and officers be and they are hereby authorized and directed to do, sign and execute all things, deeds, and documents necessary or desirable for the due carrying out of the foregoing.'

be and the same is hereby confirmed."

(b) Resolution Authorizing Distribution of Assets and Surrender of Charter

"BE AND IT IS HEREBY RESOLVED as follows:

1. That, subject to the completion of the sale of substantially all of the Company's assets to Bralorne Pioneer Mines Limited, the Company be and it is hereby authorized to make application to His Honour, the Lieutenant-Governor of the Province of Ontario for the surrender of the Company's charter after distributing the Company's property rateably amongst its shareholders according to their respective rights and interests; and
2. That the proper officers of the Company be and they are hereby authorized and directed to take all corporate steps and to do all things necessary or desirable for the due carrying out of the foregoing."

Printed in Canada

AR29

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

STATEMENT OF ACCRUALS, RECEIPTS AND EXPENDITURES
For Six Months Ended June 30, 1966

Receipts		
Algoma royalty accrual	$ 99,999.96	
Interest earned	30,222.07	
Other income	1,582.50	
		$ 131,804.53
Administrative Expenses	$ 18,757.09	
Exploration Expenditures		
Claims	4,734.15	
Geology, equipment, supplies	12,812.00	
Ground geophysics	9,640.75	
		$ 45,943.99
Excess of Receipts Over Expenditures		$ 85,860.54

BALANCE SHEET — JUNE 30, 1966

ASSETS

Current		
Cash on hand and in bank	$ 24,389.11	
Deposit receipts	1,200,000.00	
Accounts receivable	1,047.86	
Accrued royalty receivable	183,333.29	
		$ 1,408,770.26
Mining Claims		
Patented mining claims and mining claims held under lease in the Kowkash and Port Arthur mining divisions, at cost		203,255.37
Deferred Expenditures		
Exploration and administrative expenditures, less amounts written off		1,029,409.62
		$ 2,641,435.25

LIABILITIES

Current			
Accounts payable and accrued			$ 8,485.59
Shareholders' Equity			
Capital Stock:			
Authorized: 6,000,000 shares of $1.00 each			
Issued: 3,434,260 shares		$ 3,434,260.00	
Discount on shares issued		2,000,732.00	
		$ 1,433,528.00	
Retained Earnings			
Balance January 1, 1966	$ 1,113,561.12		
Excess of receipts over expenditures for six months ended June 30, 1966	85,860.54	1,199,421.66	
			2,632,949.66
			$ 2,641,435.25

CAN-FER
MINES LIMITED

INTERIM REPORT

July 1966

To the Shareholders:

Your directors believe you may appreciate this review of your company's activities since the beginning of 1966. Also included in this report are interim financial statements — an income and expense statement as at June 30, 1966, and a balance sheet as of the same date.

Early this year your directors were pleased to declare the company's initial dividend, a payout of 3¢ per share which was made payable March 11.

On the same date, shares of Can-Fer Mines were listed for trading on the Toronto Stock Exchange. Ticker abbreviation is CFX.

Your management is now intensifying its exploration efforts. To provide continuing supervision of these programs, and to give the company added resources of personnel for future projects, Can-Fer's geological staff has been increased.

Early this spring, Can-Fer acquired mineral licenses totalling 30 square miles in the Truro area of Nova Scotia. The property ties on to ground where an elemental sulphur discovery has been made and is being explored by a group of Toronto-based companies. Preliminary geological work is now being done on Can-Fer's claims.

Two separate copper prospects are located in claim groups staked or acquired by Can-Fer, all in northwestern Ontario in the Lakehead region.

At Can-Fer's Home Lake copper property, west of Port Arthur, an induced polarization survey was conducted during the winter over a part of the 18-claim group. This property was originally staked on the basis of a copper discovery made by government geologists. Ground follow-up, consisting of geological mapping, prospecting and trenching on the original copper showing, is now in progress. The original showing has been exposed over a width of some 15 feet, with work continuing to determine width and grade. A second trench was put in 150 feet east of the original trench, and the zone here is 12 feet wide. The extension of the zone beyond both trenches runs into the lake. Work is continuing to map and prospect that part of the claim group not covered by the geophysical survey.

On the 60-claim group, held in partnership with Conwest Exploration Limited in the Disraeli Lake area, some 55 miles north of Port Arthur, a preliminary geological survey has started. Copper shows have been discovered in this area.

Your management has, during the past six months, investigated mineral situations in most other provinces of Canada and in the territories, as well as in the United States. Several of these situations are currently under study and any decisions to proceed on them will be reported to you.

In view of the strong and sizable liquid assets position of your company, the high interest rates now prevailing for short and medium term investment deposits are extremely gratifying.

Your management is actively seeking other sound investment opportunities that could increase Can-Fer's income.

On behalf of the Board,

Paul Porzelt

C. A. Burns

PAUL PORZELT,
Chairman.

C. A. BURNS,
President.

July 25, 1966,
Toronto, Ontario.

AR29

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — JUNE 30, 1967

ASSETS

Current:		
Cash	$ 10,377	
Bank deposit receipts	1,225,000	
Marketable securities	2,280	
Accrued accounts receivable	10,759	
Accrued royalty receivable	183,333	
Prepaid expense	302	
		$1,432,051
Fixed Assets:		
Equipment at cost	$ 17,395	
Less accumulated depreciation	789	
		16,606
Mining properties and deferred expenditures:		
Mining properties at cost	$ 203,255	
Exploration and administration expenditures thereon, less amounts written off	872,858	
		1,076,113
		$2,524,770

LIABILITIES

Current:		
Accounts payable and accrued liabilities	$ 15,966	
		$ 15,966
Shareholders' equity:		
Capital Stock —		
Authorized: 6,000,000 shares		
Issued: 3,434,260 shares	1,433,528	
Retained earnings	1,075,276	
		2,508,804
		$2,524,770

(The above figures are subject to year-end audit adjustments)

CAN-FER MINES LIMITED

INTERIM REPORT

1967

To the Shareholders:

Your directors believe you may appreciate this review of your company's activities since the beginning of 1966. Also included in this report are interim financial statements — an income and expense statement as at June 30, 1966, and a balance sheet as of the same date.

Early this year your directors were pleased to declare the company's initial dividend, a payout of 3¢ per share which was made payable March 11.

On the same date, shares of Can-Fer Mines were listed for trading on the Toronto Stock Exchange. Ticker abbreviation is CFX.

Your management is now intensifying its exploration efforts. To provide continuing supervision of these programs, and to give the company added resources of personnel for future projects, Can-Fer's geological staff has been increased.

Early this spring, Can-Fer acquired mineral licenses totalling 30 square miles in the Truro area of Nova Scotia. The property ties on to ground where an elemental sulphur discovery has been made and is being explored by a group of Toronto-based companies. Preliminary geological work is now being done on Can-Fer's claims.

Two separate copper prospects are located in claim groups staked or acquired by Can-Fer, all in northwestern Ontario in the Lakehead region.

At Can-Fer's Home Lake copper property, west of Port Arthur, an induced polarization survey was conducted during the winter over a part of the 18-claim group. This property was originally staked on the basis of a copper discovery made by government geologists. Ground follow-up, consisting of geological mapping, prospecting and trenching on the original copper showing, is now in progress. The original showing has been exposed over a width of some 15 feet, with work continuing to determine width and grade. A second trench was put in 150 feet east of the original trench, and the zone here is 12 feet wide. The extension of the zone beyond both trenches runs into the lake. Work is continuing to map and prospect that part of the claim group not covered by the geophysical survey.

On the 60-claim group, held in partnership with Conwest Exploration Limited in the Disraeli Lake area, some 55 miles north of Port Arthur, a preliminary geological survey has started. Copper shows have been discovered in this area.

Your management has, during the past six months, investigated mineral situations in most other provinces of Canada and in the territories, as well as in the United States. Several of these situations are currently under study and any decisions to proceed on them will be reported to you.

In view of the strong and sizable liquid assets position of your company, the high interest rates now prevailing for short and medium term investment deposits are extremely gratifying.

Your management is actively seeking other sound investment opportunities that could increase Can-Fer's income.

On behalf of the Board,

PAUL PORZELT,
Chairman.

C. A. BURNS,
President.

July 25, 1966,
Toronto, Ontario.

AR29

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

STATEMENT OF INCOME AND EXPENDITURE

For the six-month period ending June 30, 1967

	Six Months to June 30 1967	1966
Revenue		
Algoma royalty accrual	$ 99,999	$ 99,999
Interest earned	34,029	30,222
Other income	—	1,583
Gross income	$ 134,028	$ 131,804
Administrative Expenses	$ 26,360	$ 18,757
Exploration Expenditures		
Claims	2,409	4,734
Geology, equipment, supplies	37,045	12,812
Ground geophysics	3,471	9,640
Total expenses	$ 69,285	$ 45,943
Net Income for the Period (see note)	$ 64,743	$ 85,861

Note:

No income taxes are payable since, under the provisions of the Income Tax Acts, the company claims current and deferred exploration expenditures in excess of the amounts charged to earnings.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six-month period ending June 30, 1967

	Six Months to June 30 1967	1966
Source of Funds		
Net income for the period	$ 64,743	$ 85,861
Application of Funds		
Purchase of fixed assets	9,509	—
Dividend paid	103,028	—
	$ 112,537	Nil
Increase (decrease) in working capital	(47,794)	85,861
Working capital beginning of period	1,463,879	1,314,424
Working capital end of period	$1,416,085	$1,400,285

(The above figures are subject to year-end audit adjustments)

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — JUNE 30, 1967

ASSETS

Current:		
Cash	$ 10,377	
Bank deposit receipts	1,225,000	
Marketable securities	2,280	
Accrued accounts receivable	10,759	
Accrued royalty receivable	183,333	
Prepaid expense	302	
		$1,432,051
Fixed Assets:		
Equipment at cost	$ 17,395	
Less accumulated depreciation	789	
		16,606
Mining properties and deferred expenditures:		
Mining properties at cost	$ 203,255	
Exploration and administration expenditures thereon, less amounts written off	872,858	
		1,076,113
		$2,524,770

LIABILITIES

Current:		
Accounts payable and accrued liabilities	$ 15,966	
		$ 15,966
Shareholders' equity:		
Capital Stock —		
Authorized: 6,000,000 shares		
Issued: 3,434,260 shares	1,433,528	
Retained earnings	1,075,276	
		2,508,804
		$2,524,770

(The above figures are subject to year-end audit adjustments)

Mr. Watkins file

CAN-FER MINES LIMITED

INTERIM REPORT 1967

CAN-FER MINES LIMITED

To the shareholders:

This interim report reviews your company's activities since the end of the 1966 fiscal year. Also included are unaudited financial statements for the six-months period ending June 30, 1967.

Can-Fer continues to maintain a strong treasury in spite of an increased exploration budget. Steady income from interest and royalty payments enables your company to work from a firm financial base and to plan and execute its exploration programs in a consistent manner.

This season the company's exploration personnel is investigating a number of uranium properties in several areas of Canada. While emphasis is currently being given to the search for this important mineral — and to the examination of uranium prospects brought to Can-Fer — the company is exploring for and has an open attitude towards considering other mineral properties and situations.

Concerning its investment policy, while Can-Fer maintains basic interest in the mining industry some proposals of investment in industrial companies have also been considered recently. It is the concern of the directors to give serious regard to those investment opportunities — whether in mining or in other fields — which offer a high, reliable return on the company's surplus funds. Can-Fer's funds are at the present time held almost entirely in bank certificates of deposit.

MARITIME PROVINCES

In Nova Scotia, a geochemical survey will be undertaken this summer on a four-square-mile mineral license. This is a base metal prospect, in Cape Breton.

In New Brunswick, where Can-Fer holds three blocks of claims in the Bathurst-Jacquet River area, investigations for base metals continue. Follow-up work has been carried out on one block where geochemical testing was done last season. On the other two blocks, initial geochemical surveys have been completed and this will be followed by more detailed soil geochemical testing.

Can-Fer's mineral rights south of Truro, Nova Scotia, have been allowed to lapse.

QUEBEC

Thirty claims are held in the highly-active Johan-Beetz area on the North Shore of the St. Lawrence. Prospecting for uranium is in progress on this property.

North of Amos, Can-Fer is a participant in the Beehler Grubstake (1966) which explored a copper property. Further geophysical work, trenching and diamond drilling, were done. Results, however, do not justify additional expenditure and it is likely no further work will be done on these claims.

In another area of Quebec, geochemical prospecting is in progress for base metals.

ONTARIO

Electromagnetic and detailed magnetometer surveys have been completed at the Home Lake copper property, west of Port Arthur. No further work is planned for this season on the property, although the claims will for the present be held in good standing.

In Teetzel township, north of Kapuskasing, magnetometer surveying has been completed over a 47-claim property. Prospecting and a radiometric survey are scheduled to get under way this month, to investigate uranium possibilities.

In the Chapleau area, Can-Fer has a 25% participation in the Tooms Nickel Syndicate which was formed to finance exploration on an 80-claim group in Tooms and Greenlaw townships. This is the site of a nickel-copper discovery made in 1966 by prospectors. As a result of magnetometer and electromagnetic surveys, several conductors have been located. Diamond drilling has started to test some conductors, as well as to obtain information on possible extensions of showings.

Can-Fer is also participating in the Ellard Syndicate (1966) which holds 36 claims in Manross township, Kenora Mining Division. This spring geophysical surveying was carried out on a part of the property, disclosing five conductors. Diamond drilling has been recommended to test three of the anomalous zones. A meeting of the syndicate's members will be held soon to decide on a program.

Elsewhere in Ontario, Can-Fer is a member of two new syndicates which have initiated programs this season. At the same time, the company is prospecting on its own behalf in other regions of Canada.

On behalf of the board,

PAUL PORZELT,
Chairman

C. A. BURNS,
President

Toronto, Ontario,
August 21, 1967.

364-8926

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — JUNE 30, 1968

ASSETS		1967 For Comparison
CURRENT:		
Cash	$ 65,228	$ 10,377
Bank Deposit Receipts	690,000	1,225,000
Marketable Securities at Cost (quoted market value $1,700)	2,280	2,280
Accounts and Accrued Interest Receivable	66,484	10,759
Royalties Receivable Accrued	183,333	183,333
Prepaid Expense	1,077	302
Special Refundable Tax	6,079	
	$1,014,481	$1,432,051
SHARES IN ANOTHER COMPANY, at cost	520,251	
FIXED ASSETS:		
Equipment at Cost	$ 20,768	$ 17,395
Less Accumulated Depreciation	6,580	789
	$ 14,188	$ 16,606
MINING PROPERTIES & DEFERRED EXPENDITURES:		
Mining Properties at Cost	$ 203,255	$ 203,255
Exploration & Administration Expenditures less amounts written off	823,634	872,858
	$1,026,889	$1,076,113
TOTAL ASSETS	$2,575,809	$2,524,770

LIABILITIES		1967 For Comparison
CURRENT:		
Accounts Payable & Accrued Liabilities	$ 8,691	$ 15,966
	$ 8,691	$ 15,966
SHAREHOLDERS' EQUITY:		
Capital Stock:		
Authorized: 6,000,000 shares NPV		
Issued: 3,464,260 shares	1,471,028	1,433,528
Retained Earnings	1,096,090	1,075,276
TOTAL LIABILITIES	$2,575,809	$2,524,770

(The above figures are subject to year-end audit adjustments)

AR29

f.l.

CAN-FER MINES LIMITED

INTERIM REPORT 1968

CAN-FER MINES LIMITED

TO THE SHAREHOLDERS:

During the first half of the year activities of the company have developed satisfactorily: results of exploration are encouraging; a syndicate to carry on exploration in Canada was formed; acquisition of a major block of shares of Bralorne Pioneer Mines Limited has been reported; with continuing high interest rates Can-Fer is earning a good return on its investments.

Can-Fer Exploration Syndicate was formed to carry on exploration in Canada with Can-Fer acting as manager. Participants with Can-Fer are Bralorne Pioneer Mines, Pacific Petroleums Ltd., and Bralorne Oil & Gas Limited. Can-Fer generally will earn about a 42% interest in the syndicate. By joining with others in syndicates the company can participate in more ventures and thus increase its chances of finding an orebody.

Can-Fer Syndicate is participating with another company in exploring a copper discovery found by conventional prospecting. Some prospecting and geology have been done on the find, and a full scale program of prospecting, geology, and geophysics has just begun prior to diamond drilling. Outcrops are few but mineralization has been traced for a length of 1,700 feet, and a width of up to 14 feet with one side not delimited at any place along the known length. It is premature to estimate grade of mineralization, which also includes minor precious metal values, but where exposed it varies.

The search for new sources of uranium is being pressed by many Canadian mining companies in several areas of the country. Can-Fer is actively involved in this search and, through the Can-Fer Syndicate, is prospecting and exploring for this mineral in several areas of Canada.

Can-Fer on its own, as previously reported, is partner with another company in exploring a copper-molybdenum prospect near Port Hardy, British Columbia. Can-Fer's interest can vary between 25% and up to about 31% in the property. Mineralization, although low grade, occurs in a geologically complex area over a width of about 1,000 feet and a length of about 2,300 feet. Overburden and forest cover are very heavy in the area, and this hinders prospecting, mapping, and assessment of the property. Geological, magnetometer, and geochemical soil surveys are proceeding on the ground.

The accompanying financial report for Can-Fer includes a balance sheet, statements of income and expenditure, and source and application of funds. Net profit for the period January 1 to June 30, 1968, was $85,556 but does not take into account $34,557 expended by the company through syndicates. Working capital at June 30 was $1,006,000.

Bralorne Pioneer reports the sale of its precast concrete plant and business in the Vancouver area. The modern plant was built in 1964 but the business had never operated at a profit. Terms of the sale are considered favourable by the directors of Bralorne.

Bralorne's gold mine continues to operate profitably, and reports a net profit after depreciation of $230,000 and a cash flow of $315,000 for the first six months of 1968, substantially higher than results in the first half of 1967. A winze is presently being sunk another level to add to ore reserves.

Bralorne also has been doing contract raise boring at several mines in Canada and has been expanding this phase of its operations.

Bralorne Oil & Gas Limited, of which Bralorne Pioneer owns 78%, continues to operate satisfactorily.

Overall we believe that Can-Fer has had a most satisfactory first half of 1968.

P. PORZELT
Chairman

C. A. BURNS
President

Toronto, Ontario
August 15, 1968

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

STATEMENT OF INCOME

For the Six Months Period Ending June 30, 1968

		1967 For Comparison
REVENUE		
Algoma Royalty Accrual	$ 99,999	$ 99,999
Interest Earned	21,699	34,029
Other Income	7,202	
Gross Income	$ 128,900	$ 134,028
ADMINISTRATIVE EXPENSES	30,562	26,360
EXPLORATION EXPENDITURES		
Claims		2,409
Geology, Equipment, Supplies	12,782	37,045
Ground Geophysics		3,471
Total Expenses	$ 43,344	$ 69,285
NET INCOME FOR PERIOD (see note)	$ 85,556	$ 64,743

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Period Ending June 30, 1968

		1967 For Comparison
SOURCE OF FUNDS		
Net Income For The Period	$ 85,556	$ 64,743
Sale of Treasury Stock	37,500	—
	$ 123,056	$ 64,743
APPLICATION OF FUNDS		
Purchase of Securities	$ 482,731	
Exploration expenditures in syndicates	34,557	
Purchase of Fixed Assets	957	$ 9,509
Dividends Paid	—	103,028
	$ 518,245	$ 112,537
Decrease in Working Capital	$ 395,189	$ 47,794
Working Capital Beginning of Period	1,400,978	1,463,879
Working Capital at End of Period	$1,005,789	$1,416,085

(The above figures are subject to year-end audit adjustments)

NOTE:

1.) No income taxes are payable since, under the provisions of the income tax act, the company claims exploration expenditures in excess of the amounts charged to earnings.

2.) Exploration expenditures in syndicates of $34,557 are excluded from statement of income, but on the balance sheet are shown in exploration and administration expenditures.

CAN-FER MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — JUNE 30, 1969

ASSETS

		1968 for comparison
CURRENT:		
Cash	$ 32,374	$ 65,228
Bank deposit receipts	800,000	690,000
Marketable securities at Cost (Quoted market value $1,700.00)	2,280	2,280
Accounts and accrued interest receivable	25,866	66,484
Royalties receivable accrued	183,333	183,333
Special refundable tax	5,011	6,079
Prepaid expenses	444	1,077
	$1,049,308	$1,014,481
SHARES IN ANOTHER COMPANY, at cost	$ 568,890	$ 520,251
INVESTMENTS IN MINING SYNDICATES	$ 187,623	$ 34,557
FIXED ASSETS:		
Equipment at cost	$ 21,378	$ 20,768
Less accumulated depreciation	13,075	6,580
	$ 8,303	$ 14,188
MINING PROPERTIES, at cost	$ 203,255	$ 203,255
EXPLORATION AND ADMINISTRATION EXPENDITURES,		
Less amounts written off		$ 789,077
TOTAL ASSETS	$2,017,379	$2,575,809

LIABILITIES

		1968 for comparison
CURRENT:		
Accounts payabie & accrued liabilities	$ 29,100	$ 8,691
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized: 6,000,000 shares without par value		
Issued: 3,484,260	1,496,028	1,471,028
Surplus	492,251	1,096,090
TOTAL LIABILITIES	$2,017,379	$2,575,809

(The above figures are subject to year-end audit adjustments.)

CAN-FER MINES LIMITED

INTERIM REPORT

1969

CAN-FER MINES LIMITED

To the Shareholders:

During the current exploration season your company, through the Can-Fer Exploration Syndicate, has been involved in a wide-ranging program of mineral exploration.

Progress on some projects is covered in this brief review which is sent to you along with unaudited financial statements for the six-month period ended June 30, 1969.

Emphasis of the Syndicate has been on base metal and uranium prospects. Recently, however, 35 sections, totalling 22,400 acres, of potential coal-bearing lands were acquired in southwestern Alberta. A geological assessment of this acreage has begun.

In the Wollaston Lake region of northern Saskatchewan ground work is proceeding on a permit held by the Syndicate. This consists of follow-up to an airborne radiometric survey conducted early this year.

In northern Ontario trenching is underway on a uranium showing. Values averaging two lb. U_3O_8, radiometrically, have been obtained in three trenches which indicate a length to date of about 70 feet with widths of nine to 15 feet. Extensions of the zone are covered by overburden.

Also in Ontario, in the Mink Lake-Birch Lake area, exploration was undertaken on a molybdenite find made in 1968. Assay results of samples taken from the first trenching are erratic and generally low. More work will be required to assess the prospect.

On Vancouver Island several projects were carried out. A molybdenite-copper showing of porphyry type was staked south of Port Hardy. While mineralization was widespread, values were low and no further work is planned for this project.

Another copper showing, found in 1968, was explored on Vancouver Island. Results were not encouraging and no further drilling is planned.

Can-Fer Mines Limited, on its own behalf, is participating in a Vancouver Island copper-molybdenite prospect. Geological survey work, begun last year, is being extended.

GENERAL

Shareholders, at the annual and special meeting in June, approved resolutions which provided for the sale of the assets and business of Can-Fer Mines to Bralorne Pioneer Mines Limited in exchange for shares of that company, which shares will be distributed to Can-Fer shareholders on a share-for-share basis. The completion of the transaction is subject to favorable tax rulings from the Commissioner of Internal Revenue of the United States. The rulings are still being awaited.

Management of Bralorne Pioneer Mines reports that operations for the first six months of the current fiscal year have been normal and profitable.

PAUL PORZELT,
Chairman

C. A. BURNS
President

Toronto, Ontario,
August 21, 1969.

CAN-FER MINES LIMITED

STATEMENT OF INCOME

For the six month period ending June 30, 1969

		1968 for comparison
Revenue		
Royalties from lease of mining properties	$ 99,999	$ 99,999
Interest earned	16,043	21,699
Other income	9,313	7,202
Total income	$ 125,355	$ 128,900
Administrative expenses	$ 44,721	$ 30,562
Exploration expenditures		
General	$ 5,318	$ 12,782
Prospecting	2,786	
Geophysical	1,454	
Geochemical	117	
	$ 9,675	$ 12,782
Total expenses	$ 54,396	$ 43,344
Net Income	$ 70,959	$ 85,556

Note:
No income taxes are payable since, under the provisions of the income tax acts, the company claims exploration expenditures in excess of the amounts charged to earnings.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six month period ending June 30, 1969

		1968 for comparison
Source of Funds		
Net income for period	$ 70,959	$ 85,556
Sale of treasury stock	7,500	37,500
	$ 78,459	$ 123,056
Application of Funds		
Interest in mining syndicate	$ 47,587	$ 34,557
Purchase of securities	—	482,731
Purchase of fixed assets	557	957
	$ 48,144	$ 518,245
Increase (decrease) in working capital	$ 30,315	$ (395,189)
Working capital at beginning of period	989,893	1,400,978
Working capital at end of period	$1,020,208	$1,005,789

(The above figures are subject to year-end audit adjustments.)